

MARKET WATCH

Market Index	Close	Week	Y-T-D
DJIA	31,909.64	-4.44%	-3.73
NASDAQ	11,138.89	-4.71%	+6.42%
MSCI-EAFE	2,062.92	-0.37%	+6.12%
S&P 500	3,861.59	-4.55%	+0.58%

TODAY'S TOPICS

- Mid-Week Outlook
- Employment & CPI Report
- SBV News
- Did You Know?
- Key Market Levels
- This Week / What We Are Watching
- Tax Resources

Outlook

Financial markets continue to sort through recent news surrounding the failure of Silicon Valley Bank (SVB) as investors now contemplate what it means for the Fed's path of interest rates and ultimately the economy in general. The S&P 500 fell -4.5% last week first on news that the Fed was considering a reacceleration in its interest rate hikes, followed up by the SVB news on Thursday and Friday. Financial markets have stabilized somewhat early this week as investors seem pleased for now on the Fed's response to SVB over the weekend (see below for more info). The Fed's March interest rate decision is released next Wednesday, the 22nd and after some back and forth over the last week, the market is now expecting a 0.25% hike from the Fed at the March meeting. In a week's time, the market has gone from pricing in a 50 bps March rate hike just before the SVB news, to pricing in no-hike on Friday, and now settling at an expected 25 bps hike. It is rare for these futures probabilities to change this much this close to a Fed meeting but is an obvious sign of the times.

Employment & CPI Reporting

Important economic data releases late last week and early this week:

The US economy added 311k jobs last month according to Friday's nonfarm payroll report, well above the 225k jobs increase expected by economists and piggybacking on January's report that showed job gains of +500k that month. The unemployment rate ticked up to 3.6% in February from 3.4% in January, but that came as the participation rate rose and the size of the labor force expanded. To battle inflation the Fed would ideally like to see a rise in the unemployment rate but one that is caused by actual job losses as opposed to broad labor force calculation changes.

Meanwhile, attention turned to Tuesday morning's inflation report where the Consumer Price Index (CPI) headline rate rose in line with estimates month-over-month, while the core reading (excluding food and energy) rose a little more than expected. On a year-over-year basis, both the headline and core rate declined, but remained elevated showing the Fed still has more work to do.

Silicon Valley Bank (SVB) News:

On Monday (3/13) we sent out a client communication email with more details of SVB closing and its implications so please check that out if you haven't yet. Here are a few highlights:

- We don't believe SVB's collapse is the start of another 2008-like financial crisis but rather a function of SVB's unique client mix, and the firm's own failures at managing its own interest rate risk exposure.
- SVB had a unique type of clientele made up of individuals and institutions in Silicon Valley's venture capitalist industry. It simply had an undiversified base of clients. Many of those start-up companies burned through a lot of cash recently, while funding options such as initial public offerings dried up.
- SVB did not do a good enough job of hedging their interest rate exposure risk. It's puzzling that the bank didn't hedge out a bigger chunk of its interest rate risk exposure last year in the face of highly telegraphed rate-hikes from the Fed.
- Silvergate and Signature banks also closed over the weekend, both of which were highly levered to the Cryptocurrency market.

Did You Know?

In **four** of the last **six** recessions since 1979, the US stock market has already bottomed by the time an official recession **call** was made.

[Read The Full SVB Client Letter Here](#)

MARKET SUPPORT



The next level of resistance to watch for the S&P 500 on the upside is at 3,940, followed by 4,100.

The next levels of support to watch for the S&P 500 on the downside are at around 3,800 and 3,666.

These are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

WHAT WE ARE WATCHING

The following economic data is slated to be released during the week ahead:

- Monday:** ---
- Tuesday:** CPI Inflation data (Feb.)
- Wednesday:** Retail Sales (Feb.), NAHB Home builders' index (Mar.)
- Thursday:** Weekly initial jobless claims, Housing Starts (Feb.)
- Friday:** Industrial Production (Feb.), Leading Indicators Index (Feb.)

TAX RESOURCES

[Account View Online Guide](#)

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[Common Tax Errors To Avoid](#)

[JFG Tax Webpage](#)

[LPL Tax Season Guide](#)

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