

# Weekly Market Recap

## The week in review

- Headline PCE +6.1% & Core +5.2% y/y, highest since 1983

## The week ahead

- February PMIs

## Thought of the week

Following Russia's invasion into Ukraine, markets saw a sharp sell-off in risk assets, while safe-haven assets (i.e. Treasuries, USD and gold) outperformed. Russia-linked commodities popped with European natural gas +60% and Brent prices crossing \$100/barrel. However, by the end of Thursday, markets largely reversed their course with only minimal moves to the 10Y (-1bps) and WTI (+\$1).

Looking ahead, markets will be sensitive to sanctions and Russia's counter response to them. This is a balancing act as the West wants to punish Russia, but not at the expense of other economies. It is further complicated by the fact that Russia is the 2<sup>nd</sup> largest producer of oil and natural gas and a major commodities supplier (i.e. fertilizer, wheat, aluminum). As of Friday, sanctions have involved Russian oligarchs, new Russian sovereign debt, Russian banks and Nord Stream 2. But, they have not yet involved Russian oil and gas.

For U.S. consumers, this crisis is likely to dampen sentiment and has the potential to delay peak inflation. Despite these headwinds, Americans are coming into this at a fundamentally healthy position – consumer demand has been robust (i.e. January retail sales surprised to the upside despite Omicron concerns) and consumer balance sheets have been strong. While we might see price pressure on energy and food in the near term, they do not have the same capacity to shock as they once did. As illustrated in the chart, energy and food spending now represents much less of Americans' overall wallet share – 12% of total spending vs. an average of 23% throughout the 60s/70s. Furthermore, America has a greater degree of energy independence and the luxury of natural resources that Europe does not, which should also soften the blow.

In terms of investment implications, remember that staying invested in a diversified, goals-aligned portfolio has paid off through countless geopolitical crises and should continue to do so. Ultimately, portfolios should benefit from quality stocks with durable profits and fixed income for portfolio ballast. We are not advocating for broad rebalancing at this time, but rather are seeking balance between value vs. growth and U.S. vs. international. Diversification will remain key as we ride out volatility.

Please see important disclosure on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4385	0.84	-7.80	-7.80	16.12	65.10
Dow Jones 30	34059	-0.03	-5.99	-5.99	10.47	39.23
Russell 2000	5072	1.59	-8.99	-8.99	-6.30	33.37
Russell 1000 Growth	1774	1.05	-12.66	-12.66	12.72	85.97
Russell 1000 Value	989.01	0.87	-2.97	-2.97	14.31	41.39
MSCI EAFE	2178	-2.49	-6.56	-6.56	0.24	26.77
MSCI EM	1172	-4.84	-4.76	-4.76	-13.24	18.67
NASDAQ	13695	1.10	-12.37	-12.37	5.07	85.98

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.45	-0.33	-4.00	-4.00	-2.59	9.20
U.S. Corporates	3.21	-0.53	-6.21	-6.21	-3.20	13.74
Municipals (10yr)	1.79	0.18	-3.30	-3.30	-1.21	9.29
High Yield	5.86	0.37	-3.92	-3.92	0.33	16.90

Key Rates	Levels (%)					
	2/25/22	2/18/22	12/31/21	12/31/21	2/25/21	2/25/19
2-yr U.S. Treasuries	1.55	1.47	0.73	0.73	0.17	2.51
10-yr U.S. Treasuries	1.97	1.92	1.52	1.52	1.54	2.67
30-yr U.S. Treasuries	2.29	2.24	1.90	1.90	2.33	3.03
10-yr German Bund	0.22	0.20	-0.18	-0.18	-0.24	0.10
3-mo. LIBOR	0.52	0.48	0.21	0.21	0.19	2.64
3-mo. EURIBOR	-0.53	-0.53	-0.57	-0.57	-0.54	-0.31
6-mo. CD rate	0.14	0.14	0.14	0.14	0.20	0.71
30-yr fixed mortgage	4.06	4.06	3.33	3.33	3.08	4.65
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.50

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
19.18	4.36	1.35	80.50	
17.65	4.59	1.85	366.31	
20.90	2.27	1.04	1.60	
26.03	11.83	0.72	58.99	
15.34	2.55	1.90	35.66	
13.81	1.73	2.62	26.20	
11.55	1.72	2.47	18.43	
27.24	5.84	0.69	6.80	

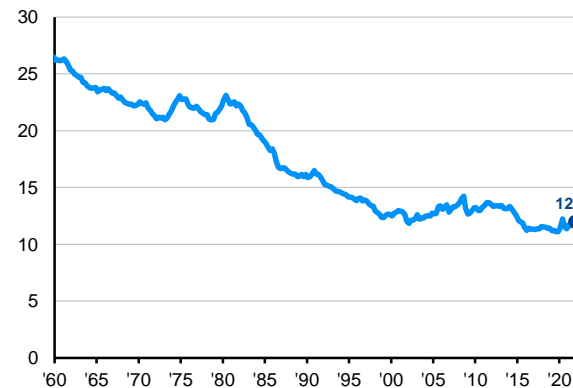
Levels			
Currencies	2/25/22	12/31/21	2/25/21
\$ per €	1.12	1.14	1.22
\$ per £	1.34	1.35	1.41
¥ per \$	115.58	115.16	106.27

Levels			
Commod.	2/25/22	12/31/21	2/25/21
Oil (WTI)	91.59	75.33	63.43
Gasoline	3.53	3.28	2.63
Natural Gas	4.47	3.82	2.72
Gold	1885	1806	1780
Silver	24.21	23.09	27.93
Copper	9920	9692	9615
Corn	6.38	5.86	5.40
BBG Idx	240.14	211.80	186.00

## Chart of the Week

**Energy and food do not have the same capacity to shock as they once did in the 1960s and 1970s.**

% of total American consumer spending spent on food and energy



## Style Returns

	V	B	G
L	0.9	0.8	1.1
M	0.9	1.3	2.2
S	1.1	1.6	2.1
	V	B	G
L	-3.0	-7.8	-12.7
M	-4.3	-7.8	-14.1
S	-4.6	-9.0	-13.4

## S&P 500 Sector Returns

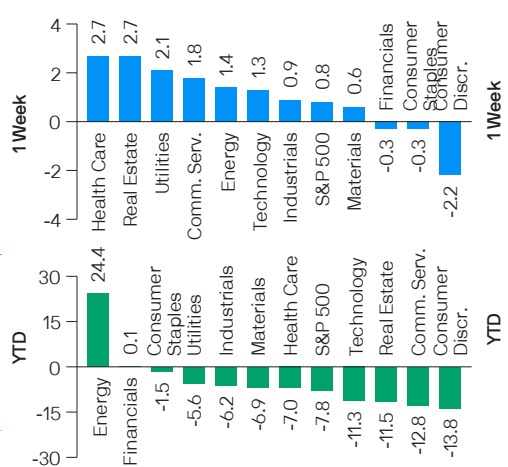




Chart of the Week: Source: BEA, J.P. Morgan Asset Management.  
Thought of the week: Source: BEA, J.P. Morgan Asset Management.  
Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI – EAFE; provided by: MSCI – gross official pricing. Index: MSCI – EM; provided by: MSCI – gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period.

Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

**Past performance does not guarantee future results.**

**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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