

Month Ending March 2022

Market Commentary



- Markets were in like a bear and out like a bull.
- March brought uncharted territory with geopolitics, inflation, and interest rates.
- The quarter took no prisoners (except energy). Broad stock and bond markets declined.

MARKET RETURNS AS OF MARCH 31, 2022¹

| Index return | March (%) | Q1 (%) | 1 Year (%) | 3 Year (%) | 5 Year (%) | 10 Year (%) |
|--------------------------|-----------|--------|------------|------------|------------|-------------|
| S&P 500 TR | 3.7 | -4.6 | 15.6 | 18.9 | 16.0 | 14.6 |
| DJ Industrial Average TR | 2.5 | -4.1 | 7.1 | 12.6 | 13.4 | 12.8 |
| NASDAQ Composite TR | 3.5 | -8.9 | 8.1 | 23.6 | 20.3 | 17.8 |
| Russell 2000 TR | 1.2 | -7.5 | -5.8 | 11.7 | 9.7 | 11.0 |
| MSCI EM GR | -2.2 | -6.9 | -11.1 | 5.3 | 6.4 | 3.7 |
| MSCI EAFE GR | 0.8 | -5.8 | 1.6 | 8.3 | 7.2 | 6.8 |
| Bloomberg US Agg Bond TR | -2.8 | -5.9 | -4.2 | 1.7 | 2.1 | 2.2 |

MARKETS

In like a bear. Markets struggled as the war in Ukraine continued. By March 7, the S&P 500, Dow Jones, and Nasdaq indices were all in bear market territory. Many Western governments shunned Russian oil, which caused prices to rise, which fed into inflation, which investors feared would feed into rates.

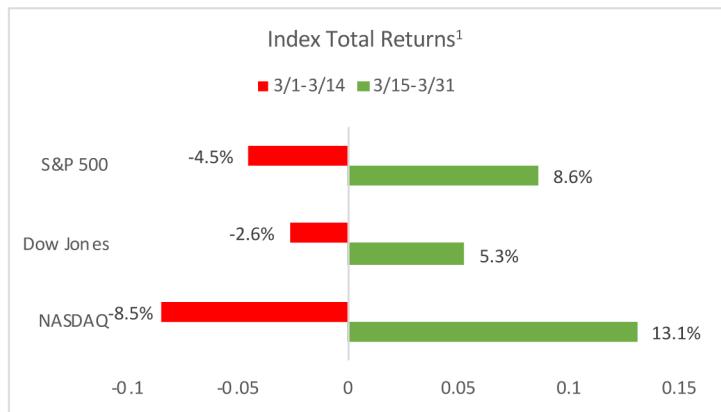
- **Commodities:** Oil prices skyrocketed, clearing a high of \$130². But it didn't stop at oil: many other commodities experienced fierce volatility from nickel to wheat to aluminum.
- **Inflation:** Inflation reached another four-decade high of 7.9%³. The biggest gainers? Energy, groceries, restaurant, transportation, and apparel.

- Stocks:** There was considerable volatility at the stock level. To take a couple of examples. Meta delivered disappointing earnings and suffered its biggest loss in market value for a U.S. company ever. The very next day, Amazon recorded the biggest ever one-day gain in Market value.

Out like a bull. Plot twist: Market turned around mid-March.

Oil came down below \$100.

- Buying on the dip, stock splits, and meme stocks quickly came back en vogue to close out the month like a bull.
- From March 15 to March 31, the S&P 500, Dow Jones, and Nasdaq indices rose 8.6%, 5.3%, and 13.1%, respectively.

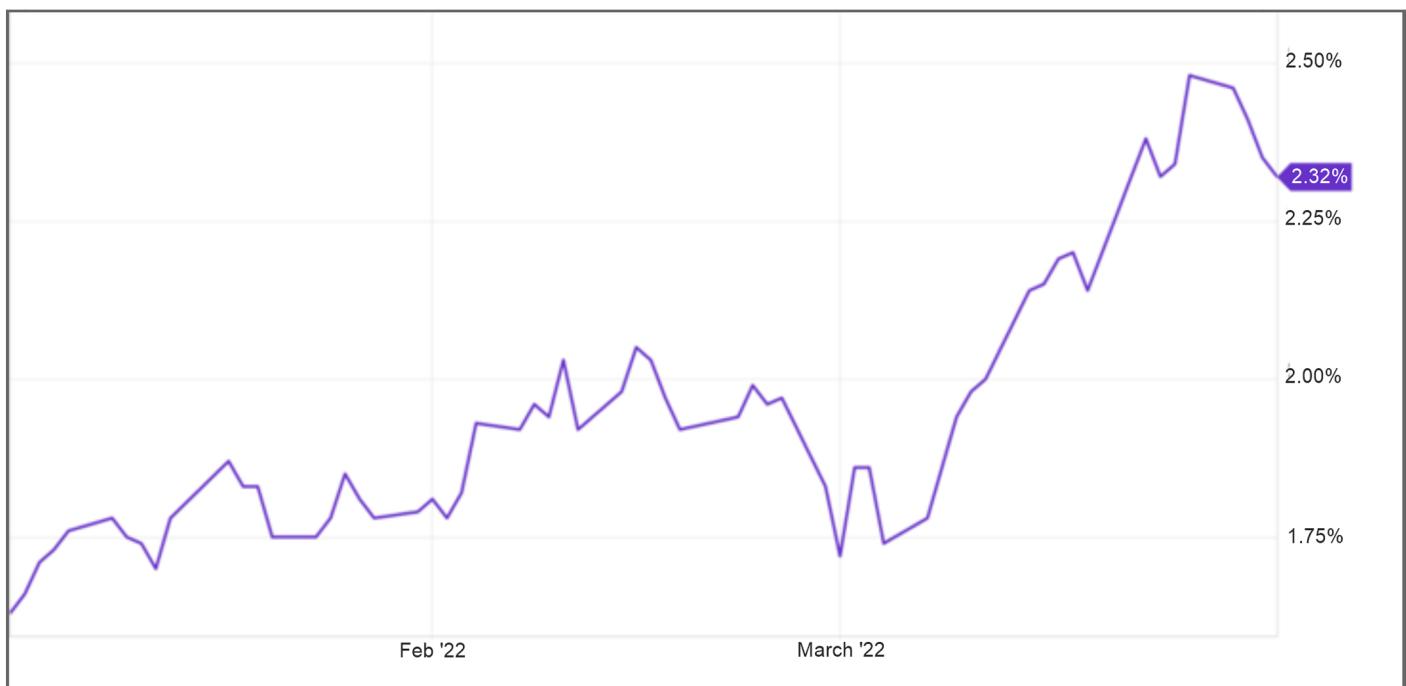


THE FED AND RATES

On March 16, the Fed raised rates for the first time since 2018 with a 25bps increase.

While markets celebrated the fact that the Fed wasn't more aggressive than expected, **Fed Chairman Jerome Powell** suggested rates could go significantly higher, and bond yields posted their biggest quarterly gain in decades (prices move inversely to yields). See chart below showing the dramatic moves on the 10-Year Treasury yield.

US 10-Year Treasury Yield⁴





Warren Buffett

I call investing the greatest business in the world... because you never have to swing. You stand at the plate, the pitcher throws you General Motors at 47! U.S. Steel at 39! and nobody calls a strike on you. There's no penalty except opportunity lost. All day you wait for the pitch you like; then when the fielders are asleep, you step up and hit it.

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Any team member can book a convenient day/time for you **(626) 294-0414**

WHAT'S NEXT?

If you're feeling like you have no idea what to expect for April, you're not alone. It's been a month of more questions than answers: Are we in a bear or bull market, experiencing inflation or stagflation, heading towards expansion or a recession? In uncertain markets, it's most important to go back to the fundamental pillars of investing:

- Stay the course. Although markets are choppy, keep your eye on the horizon, and remember that time typically works in your favor.
- Know your portfolio. While core bonds can offer a ballast in risk-off markets, make sure you know how much duration is in your portfolio – because rates can rise fast.
- Consider expanding your diversifiers beyond bonds into alternative investments.

These are just ideas, not recommendations, and whether they make sense will depend on an individual's personal circumstances.

If you have questions on your portfolio positioning, or have any changes to your goals, risk tolerance, or time horizon, please reach out to schedule a conversation.

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1. Data from Morningstar unless otherwise specified. Returns over one year are annualized.
2. Wall Street Journal, March 31, 2022. https://www.wsj.com/articles/stocks-on-pace-for-worst-quarter-in-two-years-despite-strong-finish-11648747913?mod=markets_lead_pos1
3. Bloomberg, March 10, 2022: <https://www.bloomberg.com/news/articles/2022-03-10/u-s-inflation-hits-fresh-40-year-high-of-7-9-before-oil-spike>
4. 10 Year Treasury rate: Y Charts from Investopedia as of April 1, 2022 6:52am ET.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

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Who can benefit from a “59-Minute Clarity Experience” consultation?

Anyone you know that is concerned about making a smart decision on something that is stressful or worrisome – it could be either a positive or negative situation. It could be . . .

A Substantial Financial windfall:

Like a large inheritance

Selling something of substantial value like real estate or a business

Winning a big Lotto payoff

A Substantial Financial hassle:

Like a divorce

Figuring out fraudulent charges on credit card

Identity theft

Collecting on a long-term care insurance policy

A Substantial Financial scramble:

Like an unexpected offer out of the blue to buy or sell something worth a lot of money

A company Golden Parachute offer to retire early

Having to decide on a monthly pension Vs. choosing an IRA rollover

Figuring out how to pay for kids’ college and not mess up your retirement

A Substantial Financial tangle:

Like a lawsuit

How to pay bills when a spouse is unemployed

A couple that disagrees about financial issues

If someone you care about is dealing with a Substantial Financial Issue, I have a process to help them with a breakthrough of clarity around the big picture which makes the next few steps obvious – It’s called the **“59-Minute Clarity Experience”**. I’m happy to help anyone you care about to experience the peace and confidence you want them to have.

“59-Minute Clarity Experience”

Just in case you haven’t heard, I’ve started an incredible new consulting service to help people who are facing a significant financial issue. It could be an opportunity where the stakes are high, like receiving a large inheritance or maybe it’s a financial hassle like going through a divorce.

I call this unique service, “The 59-minute Clarity Experience”. Not only can you take advantage of this great consulting experience, but you have permission to introduce me to anyone you care about who’s facing a Significant Financial Issue.

“Let me share a recent “59-Minute Clarity Experience”

Mary (a 75-year-old widow) has a 25-year-old granddaughter whom she loves dearly. Mary was desperately wanting to help her granddaughter buy her first home, but the granddaughter and great grandson (age 2) lived in an apartment with the boy’s father. Not only was there no wedding date or ring, but Mary wasn’t sure of the boyfriend’s commitment to the relationship. She certainly didn’t want to have the boyfriend walk off with $\frac{1}{2}$ of the home’s value (under California’s Community Law) if he decided to bail after she helped with a large down payment and maybe even signed as borrower to secure the loan.

She needed help to work out the issues and map out a strategy.

As I asked open ended questions and made notes on big visual worksheet for Mary, she quickly started to understand the issues, and we were able to create a path outlining the next several steps to put the ‘right plan’ in motion.

The result was not overly complicated or expensive. We had a trust created, a simple financial agreement and we opened a tax-favored account to hold the money for the future down payment.

Then in about 1-2 years after the granddaughter fixed their credit score and saved some of their own money the big down payment money would be available to get her first home, and if the boyfriend bailed Mary won’t watch her money be lost. Win – Win!!

I can’t tell you how fulfilling it is to help people work through a significant financial issue like that.

Have you ever known someone who is struggling with how to help a grandchild to: pay for college, buy their first home, or start a retirement plan?