

# Market Commentary

## MARCH 2022

### HIGHLIGHTS

- While market sell-offs from geopolitical events happen quickly, based on history, they don't tend to last that long.
- The market reaction to geopolitics may fade, but the interest rate environment remains a key consideration for investors and could continue to drive volatility in 2022.
- Events such as these serve as a reminder of the importance of diversification in your portfolio.

### OVERALL MARKET RETURN AS OF FEBRUARY 28, 2000

Index return	February (%)	YTD (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)
S&P 500 TR	-3.0	-8.0	16.4	18.2	15.2	14.6
DJ Industrial Average TR	-3.3	-6.4	11.6	11.7	12.7	12.7
NASDAQ Composite TR	-3.3	-12.0	4.9	23.2	19.9	17.9
Russell 2000 TR	1.1	-8.7	-6.0	10.5	9.5	11.2
MSCI EM GR	-3.0	-4.8	-10.4	6.4	7.4	3.6
MSCI EAFE GR	-1.8	-6.5	3.3	8.3	7.7	6.6
Bloomberg US Agg Bond TR	-1.1	-3.2	-2.6	3.3	2.7	2.5

The first half of the month was defined by a focus on rising inflation. Most of our wallets had already felt the effects of rising prices when data on February 10 confirmed that inflation hit a 40-year high in January at a 7.5% annual rate, while the 10-year US Treasury hit 2%.<sup>2</sup>

The next day, geopolitical risks heated up – quickly – and on February 11 the U.S. warned that Russia could invade Ukraine at any time. Since then, Russia did indeed initiate an invasion and stock markets have underperformed safe havens and commodities.

- When it comes to stock markets, the exposure to Russia and Ukraine is quite small. In fact, the S&P 500 has less than 0.1% direct sales exposure to Russia.<sup>3</sup> However, Russia is a large producer of key commodities, which means these events and global sanctions may feed into inflation.

Guessing how long this volatility lasts is a fool's game, but the market impact will fade. The chart below shows some of the largest impact geopolitical events over the past 50 years. The market decline is usually anywhere from 2 to 27 days in duration, and most of the time (but not always) the duration to recover was also relatively fast.

## HISTORICAL VOLATILITY AROUND GEOPOLITICAL EVENTS<sup>4</sup>:

Event	Start of Sell Off	Duration of Sell Off (Trading Days)	Duration to Recover to Prior Level (Trading Days)	Size of Sell Off
Israel Arab War / Oil Embargo	29 Oct 1973	27	1475	-17.1%
Shah of Iran Exiled	26 Jan 1979	9	34	-4.6%
Iranian Hostage Crisis	5 Oct 1979	24	51	-10.2%
Soviet Invasion of Afghanistan	17 Dec 1979	12	6	-3.8%
Libya Bombing	21 Apr 1986	20	7	-4.9%
First Gulf War	1 Jan 1991	6	8	-5.7%
Kosovo Bombing	18 Mar 1999	4	9	-4.1%
9/11 Attacks	10 Sep 2001	6	15	-11.6%
Iraq War	21 Mar 2003	7	16	-5.3%
Arab Spring (Egypt)	27 Jan 2011	2	3	-1.8%
Ukraine Conflict	7 Mar 2014	6	13	-2.0%
Intervention in Syria	18 Sep 2014	21	12	-7.4%
Average	1973-2014	12	137	-6.5%

## THE FED

The next Fed meeting is March 16. The closer we get to that date, the more the debate around what to expect for 2022 will come to the forefront. How aggressive will the Fed need to get to fight inflation? How many rate hikes do economists and investors expect? Will future hikes be 25bps or 50bps?

As we've discussed before, the beginning of rate hiking cycles are not always bad for stocks, but the key is whether the Fed will succeed in engineering a policy transition that will not cause a recession.

## WHAT'S NEXT?

If nothing else, events such as these serve as a reminder of the importance of diversification in your portfolio. Some considerations in this environment:

- While it's hard to see it when stock markets are going up, core bonds and real assets can act as diversifiers to stocks when they aren't.
- Coming out of this event, ensuring a quicker energy transition may become more important, so look out for potential thematic opportunities in renewable energy.
- Although markets are choppy, keep your eye on the horizon (and the Fed), stay patient and ensure your portfolio is positioned for a rising rate environment.

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.

1. Morningstar. Returns over one year are annualized.

2. Wall Street Journal. February 10, 2022. <https://www.wsj.com/articles/us-inflation-consumer-price-index-january-2022-11644452274>

3. Global X. February 25, 2022. <https://www.globalexchange.com/russias-invasion-of-ukraine/>

4. J.P. Morgan Asset Management, Deutsche Bank, Refinitiv Datastream, Standard & Poor's. Data as of 2/21/2022.

Returns shown are total returns of indices. Returns over one year are annualized. Past performance is no guarantee of future returns.

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Warren Buffett

**" You do things when the opportunity comes along. I've had periods in my life when I've had a bundle of ideas come along, and I've had long dry spells. If I get an idea next week, I'll do something. If not, I won't do a damn thing."**

## We are here to help you!

If you don't know how to log into your **Schwab account** or the **ChangePath portal** to check your account balance, holding performance, ect. please call us today to schedule a zoom or in-Office meeting for us to teach you how to do this

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

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# WHO DOES WHAT?

## Richard Miller

### Who is Richard Miller?

I am an independent financial adviser and an Investment Adviser Representative (IAR) of ChangePath.

Being independent enables me to select different entities I want to partner with to better serve my clients.

From money managers to the technology that enables me to run my business, I have the ability to choose what is best for my clients.

I am a fiduciary, which means I must always keep my clients best interest front and center of my practice.



### Who is ChangePath?

ChangePath is an SEC Registered Investment Adviser (RIA).

What does it mean? It means that ChangePath has a responsibility to oversee its IARs to ensure they are acting in the best interest of their clients. ChangePath is regulated directly by the SEC to ensure fiduciary standards are upheld, client's private information is protected, and all regulatory requirements are being fulfilled.

ChangePath supports your advisor through access to and education on investments management, financial planning, client and custodial services, and ever changing regulatory updates.

ChangePath provides its IARs with the necessary resources to allow them to focus on solving your needs through relationship management, financial planning, and investment management.

Advisers in 43 states with over 100 office locations.

*charles*  
SCHWAB

### What does the custodian do and why do you need them?

The custodian (Charles Schwab) is the company that has physical possession of your financial assets. In simple terms, this is the place where your money and securities are safely held in your name and account.

ChangePath primarily leverages Charles Schwab for custodial services.

Charles Schwab accounts are DCIC-insured.

SEC requires custodians to deliver all transactions, trade confirmations, and quarterly statements to you, the investor.

If you ever feel confused by something you receive from Charles Schwab, do not hesitate to reach out.

Charles Schwab provides investing and trading services for 12 million client accounts that total more than \$3 trillion in assets.

## Do you see yourself as a 'Belt and Suspenders' Retiree?

One of my business associates, Sam, likes to tell folks he's a 'Belt and Suspenders' type guy.

What Sam (a financial advisor like myself) means by saying, "he's a 'belt and suspenders' type guy" is that he's extra cautious. When it comes to helping clients enjoy their retirement, he's all about having less stress and worry. He is focused on protection.

Sam and I both believe that protecting some part of your money from market risks should be a part of everyone's over-all comprehensive financial strategy.

One tool in the toolbox of products to give you protection from market losses while having the opportunity to hopefully earn a reasonable rate of return (i.e., keep pace with inflation) is a Fixed Indexed Annuity.

We've helped thousands of pre-retirees and retirees reposition some of their checking, savings, CDs, bond and stock mutual funds, variable annuities, and on and on into a Fixed Indexed annuity to be able to:

- Protect your premium from market risk – 100%
- Earn tax-deferred interest (either IRA or not)
- Lock-in the interest in the good crediting periods
- And for some policies offer a "Rider" for Enhanced Lifetime Income and/or Death Benefit Payout to beneficiaries

Like every product that one could chose to invest or purchase there are pluses and minuses. Fixed annuities are no different.

With all the concern about the stock market today and the low interest rates at the bank – I would encourage you to watch my 45-minute webinar entitled, "Annuity or Not? Fixed Indexed Annuities Today. \*

*I promise, you'll learn at least three things you didn't know before and you might even decide to put more into the annuity I helped you set up in the past!*

And, yes you have permission to send someone you love the link to this webinar so they can be as smart and well informed as you!

Best wishes,



Rick Miller



\* CA Department of Insurance and Registered Investment Advisor Disclosures on the back of this sheet (over). **Call my office to get an email to the link to watch the webinar.**

# Webinar to WATCH!

Call (626) 294-0414  
to get link sent to you!

## Annuity or Not?

Fixed Indexed Annuities Today

Rick Miller  
CSI Wealth Management

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