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Market Commentary

FEBRUARY 2022

MARKET RETURNS AS OF JANUARY 31, 2022[1]

Index Total Returns, %	January	1 Year	3 Year	5 Year	10 Year
S&P 500 TR	-5.2	23.3	20.7	16.8	15.4
DJ Industrial Average TR	-3.2	19.4	14.5	14.6	13.4
NASDAQ Composite TR	-9.0	9.7	26.1	21.6	18.9
Russell 2000 TR	-9.6	-1.2	12.0	9.7	11.3
MSCI EAFE GR	-4.8	7.5	9.8	8.4	7.4
MSCI EM GR	-1.9	-6.9	7.6	8.7	4.5
Bloomberg US Agg Bond TR	-2.2	-3.0	3.7	3.1	2.6

THE MARKETS

That was a rough month. Concerns about the Fed being more aggressive on fighting inflation drove markets to deliver their worst monthly performance since March 2020 (at least for the S&P and the Nasdaq).

It could have been worse. Rewind just a few days ago to end of day January 27, and markets were looking even more bleak. The S&P 500, DJIA, and Nasdaq were down -9.2%, -5.9%, and -14.6%, respectively. Technology was amongst the hardest hit, given fears of what rising rates might mean for the sector's valuations.

And then along came Apple (AAPL), with a strong earnings report. Stocks closed out the month on a high note (although still down for the month): the S&P 500, DJIA, and Nasdaq rose +4.4%, +2.8%, and +6.7%, respectively in the last two trading days of the month.

In our January 21 update, we discussed how rising rate periods are not always bad for stocks, and that sell-offs are normal. This is all still very applicable a week and a half later.

THE FED

It was a long month waiting for "Fed day" on January 26 to hear if and how Fed Chair Jerome Powell was going to react to the volatile markets and get a little more dovish. In short, he didn't flinch—if anything he got more hawkish. The Federal Open Market Committee (FOMC) reaffirmed its plans to taper asset purchases by early March. Further, the committee said they expect it will "soon" be appropriate to raise the Fed funds rate (cue: March rate hike).[2]

From there, expectations vary on the number of rate hikes the market expects. Bank of America recently predicted seven rate hikes in 2022, while JPMorgan Chase & Co. and Goldman Sachs forecast five.[3]

YOUR NEXT MOVE

Watching the market decline is painful. And we are likely in for more volatility in 2022 as we adjust to a new normal for rates. Here are some ideas to consider in a market decline.

1. Check in on portfolio allocations. Volatility can lead to two things: (1) drift in portfolios, which could knock positioning off course and (2), opportunities across sectors and asset classes. Consider taking advantage of a rebalance to lean into any areas of the market that may outperform going forward in the changing market landscape.
2. Use tax-loss harvesting to lower next year's tax bill. TLH is the process of selling an investment for a loss and using that loss to offset (or decrease) overall capital gains. Market sell-offs can be a great time to find losses in taxable accounts to lock in.
3. Consider putting some dry powder to work. Dollar cost averaging might be a smart approach in volatile markets.

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. Call today (626) 294-0414.

ChangePath

1. Morningstar as of 1/31/2022.
2. J.P. Morgan https://www.chase.com/personal/investments/learning-and-insights/article/tmt-january-twenty-eight-twenty-two
3. Bloomberg.com. http://www.bloomberg.com/news/articles/2022-01-29/goldman-sachs-predicts-fed-will-raise-rates-five-times-this-year

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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Have you ever heard of phrase, **"Event Cascade"**?

According to writer, **Richard Corfield** of Physics World, the sinking of the Titanic almost 110 years ago was a perfect example of an 'Event Cascade'.

"No one thing sent the Titanic to the bottom of the North American", causing the deaths of 1,514 passengers on that fateful night of April 14, 1912, *"Rather, the ship was ensnared by a perfect storm of circumstances that conspired her to her doom."*

Back on April 1, 2012, **Alan Boyle**, a science editor with NBC News, wrote an article entitled: **"10 Causes of the Titanic Tragedy"**. This list illustrates how technological failures often result form a succession of omissions, missteps, and bad luck *rather than one big mess-up*.

Below are the **Top 10 Causes** (in outline form only):

1. There was an Iceberg [bet you knew that!]
2. The climate caused more icebergs
3. Tides sent icebergs southward
4. The ship was going too fast
5. Iceberg warnings went unheeded
6. Binoculars were locked up
7. The Steersman took a wrong turn
8. Reverse thrust reduced the ship's maneuverability
9. The iron rivets were too weak
10. There were too few lifeboats

My job is to help you to make smart choices with your money to accomplish your life goals and values. And of course, the other side of that coin is to make sure you don't have a Titanic type event in your life – No Event Cascades for you!

If you haven't been in our office for a Comprehensive Financial, Investment and Estate Planning review meeting in the past year. Call today schedule your personal Financial Road Map meeting.

There is no cost or obligation, and it just might prevent your ship from sinking.

Call Today (626) 294-0414 for your Financial Road Map

https://www.nbcnews.com/sciencemain/10-causes-tianic-trategedy-620220

Warren Buffett

" Honesty is a very expensive gift, don't expect it from cheap people"

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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