



# ~ Prevailing Winds ~

A Quarterly Market Update

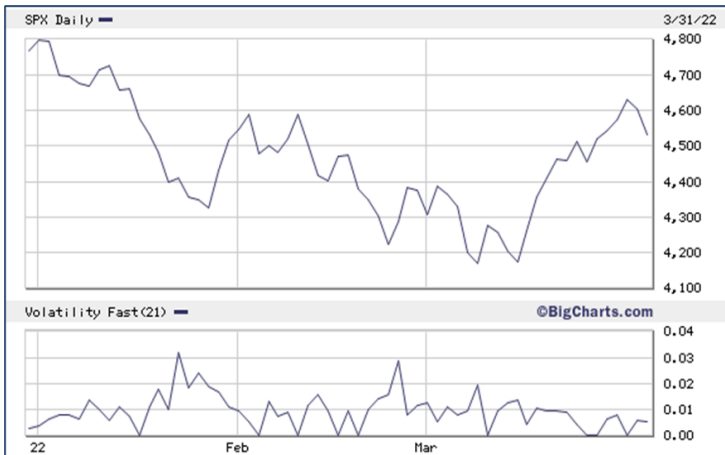
March 31, 2022

## Quarterly Recap:

For many, 2022 has felt like being stuck inside of a giant washing machine. Inflation, rising interest rates, the war in Ukraine, oil prices...every day has brought with it a new surprise. It has often been said that "art imitates life". Likewise, it could be said that "investing imitates life". While the environment and world today is challenging and uncertain, somehow, the economy and corporate America find a path toward stability and ultimately, prosperity. As we look overseas, we see evidence of true heroism and resolve.

## Quarter Ending March 31, 2022

| Equity Indexes | Close    | % Change |
|----------------|----------|----------|
| DJIA           | 34678.35 | -4.6%    |
| S&P 500        | 4530.41  | -4.9%    |
| NASDAQ         | 14220.52 | -9.1%    |
| Treasuries     | Close    | Change   |
| 10-Year Yield  | 2.32%    | 0.80     |
| 2-Year Yield   | 2.28%    | 1.55     |

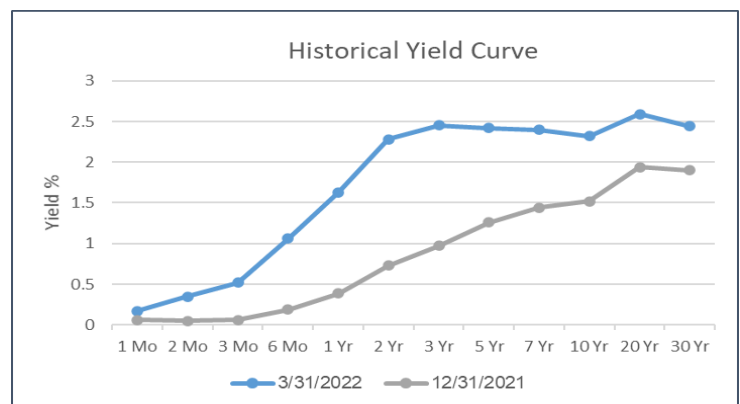


## The Stock Market:

The first quarter was a roller coaster ride. For the first time in quite a while, the equity market was not driven by spiking Covid/Omicron numbers. What did rise to the top of the list was inflationary concerns. With inflation rates rising near 8%, investors became concerned that the Fed was too late in responding and would need to take drastic measures. Despite solid earnings numbers and low unemployment, speculation began to emerge that a recession or even stagflation was possible. Oddly enough, the equity markets rallied as the Fed raised rates for the first time since 2018. The quarter was difficult for investors who were fully diversified, but not a disaster.

## The Bond Market:

The bond market is enormous and yet it infrequently garners attention. Quietly, the bond market is racking-up significant losses. Bond investors need to be aware of three major risks-inflation, rising rates, and credit risk. While default risk remains low, the move from less than 2% inflation to nearly 8% has been shocking. Interest rates have risen across all maturities but is much more evident in bonds that mature in less than two years. The speculation is that the Fed will need to be aggressive in raising rates for the foreseeable future but will then "pause".



## Looking Ahead:

The world has not given investors a chance to stop and breathe. The tumultuous times of 2020 were followed by an uncertain 2021, and a whirlwind in 2022. Still, when looking back, the recent years have been a remarkable period for investors. Once again, the steely resolve of maintaining a long term strategy that balances risk and return is critical. Our friends in the Ukraine have demonstrated that standing up to adversity is a remarkable feat in its own. We remain steadfast in our belief in these long term investment principles and remain hopeful for better days ahead.

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