

# WEEK IN REVIEW



March 18, 2022

## The Bottom Line

- Risk Assets were able to rise out of their recent slump and posted a positive week almost across the board.
- Bond yields rose for the week, with the 2-Year yield jumping +19bps for the week and the yield on the 10-year rising +15bps for the week.
- Overall, economic data releases mostly met their expectations, showing that despite the near-term effects of the Russia-Ukraine conflict, the economy is still marching on. Importantly, the FOMC raised interest rates for the first time and took on a very hawkish tone for future monetary policy. Next week is on the lighter side, most releases relate to manufacturing data and real estate.

## Markets Cheer On Interest Rate Liftoff

While the conflict between Russia and Ukraine continues to keep market participants on their toes, traders shifted their focus back home as the FOMC initiated interest rate liftoff by raising the Fed Funds Rate by +25bps. While this was widely anticipated, there were murmurs of a possible +50bps hike. Overall, markets took this in stride and were able to post a positive week across the board. The S&P 500 was able to jump up +6.16% for the week, which nearly cut its year-to-date loss in half. Domestic small cap equities, as measured by the Russell 2000, were not too far behind the large caps, the index was up +5.38% for the week. Japanese equities, as measured by the Nikkei-225, rallied with domestic equities, rising +6.62% for the week. European equities weren't left behind on the week either, the STOXX Europe 600 was able to post a solid +5.43% gain for the week. The tech-heavy Nasdaq Composite was the winner for the week, jumping a whopping +8.18% for the week, but still in the red on the year-to-date return by -11.19%. Looking to the week ahead, market participants will still be swayed by headlines surrounding the Russia-Ukraine conflict, as well as the myriad of manufacturing and real estate releases for next week.

## Digits & Did You Knows

**SINCE THEN** – President Donald Trump declared the coronavirus pandemic a “national emergency” on Friday 3/13/2020. Over the 2-years since then, i.e., Monday 3/16/2020 through Friday 3/11/2022, the S&P 500 gained +60.0% (total return), in spite of a -12.0% loss (total return) on Monday 3/16/2020. (source: BTN Research).

**MAXED OUT** – Only 8.5% of workers who have access to an employer-sponsored defined contribution plan, e.g., 401(k) plan, contribute the maximum amount permitted by law. (source: Congressional Research Service, BTN Research).

**EDUCATION** – 62% of American adults have received education beyond high school, including adults with some college credits all the way to those adults who have earned a doctoral degree. (source: Census Bureau, BTN Research).

### Market Snapshot

Market	Index Level	1-week Price Return	2022 Price Return
<b>EQUITIES</b>			
S&P 500	4,463.12	+6.16%	-6.36%
Nasdaq Composite	13,893.84	+8.18%	-11.19%
Russell 2000	2,086.14	+5.38%	-7.09%
Nikkei-225 (Japan)	26,827.43	+6.62%	-6.82%
STOXX Europe 600	454.60	+5.43%	-6.81%
<b>RATES</b>			
2-Year UST Note	1.94	19 bps	120 bps
10-Year UST Note	2.15	16 bps	64 bps



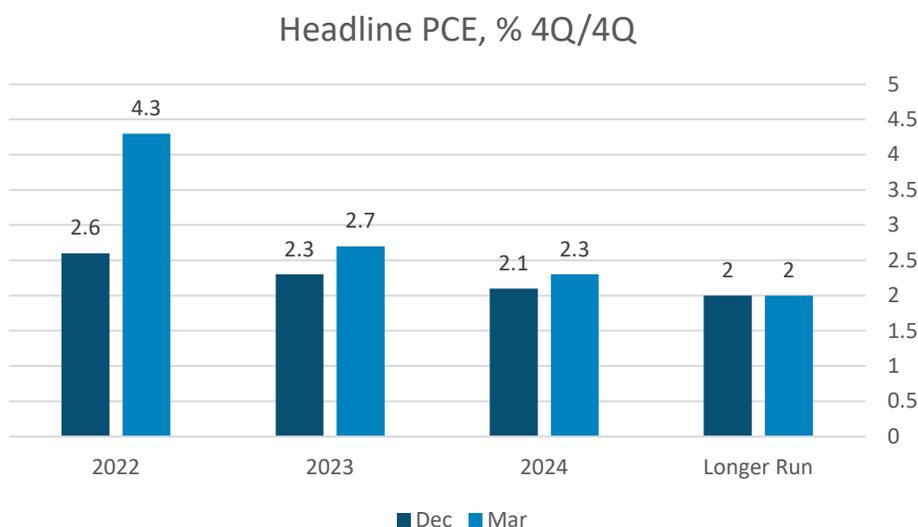
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## Chart of the Week

As widely expected, and previously communicated by Chairman Powell, the FOMC initiated interest rate liftoff by raising the Fed Funds Rate by 25bps at the Reserve's meeting on Wednesday. While this was widely anticipated, there was a chance that the committee may have determined that a 50bps hike was more warranted given the rapid increase in inflation. As illustrated in the chart on the right, Headline PCE forecasts, the Fed's preferred datapoint for inflation, has persistently increased. Chairman Powell took on a decisively hawkish tone during his press conference after the FOMC's meeting, vowing to prioritize combating inflation, even over continued economic growth. The closely followed FOMC Dot Plot, showed that several members are even in favor of one, or more, 50bps hikes this year.

## FOMC Prioritizes Inflation Over Growth

### FOMC Headline PCE Forecast



Source: FOMC, Bloomberg

## Economic Rundown

- Unexpectedly falling to its lowest level since 2020, **Empire Manufacturing** contracted to -11.8 versus consensus estimates of +6.4.
- **PPI Final Demand** met expectations of +10% on the year over year metric.
- **Total Net TIC Flows** increased from the previous reading of -\$52.4b to +\$294.2b.
- **MBA Mortgage Applications** fell from last week's reading of +8.5% to -1.2%.
- Coming in slightly softer than expected, **Retail Sales Advance** rose by +0.3% versus expectations of +0.4%.
- **Import Price Index** rose by less than expected, coming in at +1.4% versus expectations of +1.6% on a month over month basis.
- In line with expectations, the **FOMC** initiated interest rate liftoff with a +0.25% increase.
- **Housing Starts** beat expectations of +1.70m, landing at +1.77m. **Building Permits** also beat expectations of +1.85m, coming in at +1.86m.

- **Industrial Production** met expectations of +0.5%.
- **Existing Home Sales** missed the mark, expectations were looking for a decrease of -6.2%, but came in at -7.2%.
- The **Leading Index** met expectations of +0.3%.

## The Week Ahead

- |           |  |
|-----------|--|
| Monday    | <ul style="list-style-type: none"> <li>• Chicago Fed Nat Activity</li> </ul>   |
| Tuesday   | <ul style="list-style-type: none"> <li>• Richmond Fed Manuf. Activity</li> </ul>   |
| Wednesday | <ul style="list-style-type: none"> <li>• MBA Mortgage Applications</li> <li>• New Home Sales</li> </ul>  |
| Thursday  | <ul style="list-style-type: none"> <li>• Current account Balance</li> <li>• Initial Jobless Claims</li> <li>• Durable Goods Orders</li> <li>• S&amp;P Global US Manufacturing PMI</li> <li>• Kansas City Fed Manf. Activity</li> </ul> |
| Friday    | <ul style="list-style-type: none"> <li>• Pending Home Sales</li> <li>• U. of Mich. Sentiment</li> </ul>  |



**The Importance of Diversification.** From period to period there is no certainty what investment will be the best performer... or the worst. Diversification mitigates the risk of relying on any single investment and offers a host of long-term benefits, such as lowering portfolio volatility, improving risk-adjusted returns, and helping investments to compound more effectively.

	Monday	Tuesday	Wednesday	Thursday	Friday	WEEK	
High	Intl Equity 0.92	Large Growth 3.09	Emg Markets 8.05	Small Growth 2.21	Mid Growth 2.43	Mid Growth 9.53	High
	Large Value -0.11	Mid Growth 2.41	Small Growth 4.21	Mid Growth 2.20	Large Growth 2.16	Large Growth 8.35	
	Intl Bonds -0.34	Small Growth 2.19	Mid Growth 4.17	Real Estate 1.46	Small Growth 1.67	Small Growth 7.64	
	Mid Value -0.50	Mid Value 1.35	Intl Equity 3.59	Large Growth 1.31	Emg Markets 1.43	Intl Equity 7.46	
	Real Estate -0.71	Large Value 1.26	Large Growth 3.28	Mid Value 1.22	Intl Equity 0.97	Emg Markets 6.55	
	60/40 Allocation -0.72	Intl Equity 0.95	Small Value 2.27	Large Value 1.18	60/40 Allocation 0.74	Mid Value 4.61	
	U.S. Bonds -0.97	60/40 Allocation 0.93	60/40 Allocation 2.20	Small Value 0.89	Mid Value 0.57	Large Value 4.34	
	Small Value -1.00	Small Value 0.78	Mid Value 1.91	Intl Equity 0.84	Small Value 0.35	60/40 Allocation 3.90	
	High Yield Bond -1.19	High Yield Bond 0.75	Large Value 1.59	60/40 Allocation 0.69	Large Value 0.35	Small Value 3.31	
	Large Growth -1.67	Real Estate 0.70	High Yield Bond 1.40	High Yield Bond 0.69	High Yield Bond 0.33	Real Estate 2.91	
	Mid Growth -1.92	U.S. Bonds 0.22	Real Estate 1.25	Intl Bonds 0.43	U.S. Bonds 0.22	High Yield Bond 1.98	
	Emg Markets -2.42	Intl Bonds 0.22	Intl Bonds 0.85	U.S. Bonds 0.17	Real Estate 0.19	Intl Bonds 1.34	
Low	Small Growth -2.73	Emg Markets 0.14	U.S. Bonds 0.07	Emg Markets -0.51	Intl Bonds 0.17	U.S. Bonds -0.29	Low

Source: Bloomberg. Asset-class performance is presented by using market returns from an exchange-traded fund (ETF) proxy that best represents its respective broad asset class. Returns shown are net of fund fees for and do not necessarily represent performance of specific mutual funds and/or exchange-traded funds recommended by the Prime Capital Investment Advisors. The performance of those funds may be substantially different than the performance of the broad asset classes and to proxy ETFs represented here. U.S. Bonds (iShares Core U.S. Aggregate Bond ETF); High-Yield Bond (iShares iBoxx \$ High Yield Corporate Bond ETF); Intl Bonds (SPDR® Bloomberg Barclays International Corporate Bond ETF); Large Growth (iShares Russell 1000 Growth ETF); Large Value (iShares Russell 1000 Value ETF); Mid Growth (iShares Russell Mid-Cap Growth ETF); Mid Value (iShares Russell Mid-Cap Value ETF); Small Growth (iShares Russell 2000 Growth ETF); Small Value (iShares Russell 2000 Value ETF); Intl Equity (iShares MSCI EAFE ETF); Emg Markets (iShares MSCI Emerging Markets ETF); and Real Estate (iShares U.S. Real Estate ETF). The return displayed as "Allocation" is a weighted average of the ETF proxies shown as represented by: 30% U.S. Bonds, 5% International Bonds, 5% High Yield Bonds, 10% Large Growth, 10% Large Value, 4% Mid Growth, 4% Mid Value, 2% Small Growth, 2% Small Value, 31% International Stock, 7% Emerging Markets, 3% Real Estate.

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