

# Market Commentary

March 2022



- **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, 2022<sup>1</sup>

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.

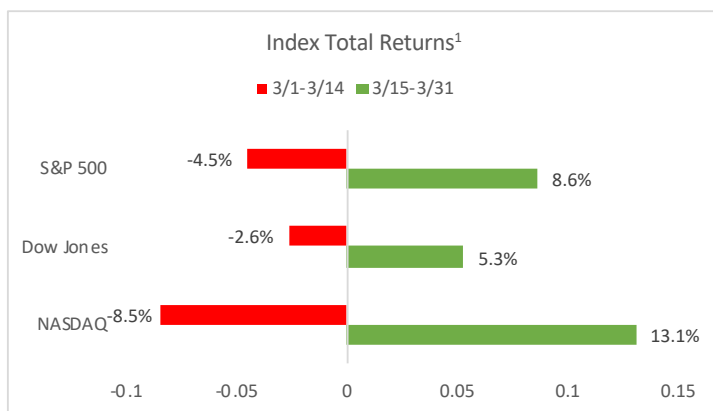
- **Commodities:** Oil prices skyrocketed, clearing a high of \$130<sup>2</sup>. But it didn't stop at oil: many other commodities experienced fierce volatility from nickel to wheat to aluminum.
- **Inflation:** Inflation reached another four-decade high of 7.9%<sup>3</sup>. The biggest gainers? Energy, 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: Markets 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 Yield<sup>4</sup>



## 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.



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\\_post](https://www.wsj.com/articles/stocks-on-pace-for-worst-quarter-in-two-years-despite-strong-finish-11648747913?mod=markets_lead_post)
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.

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

This material has been prepared for information and educational purposes and should not be construed as a solicitation for the purchase or sell of any investment. The content is developed from sources believed to be reliable. This information is not intended to be investment, legal or tax advice. Investing involves risk, including the loss of principal. No investment strategy can guarantee a profit or protect against loss in a period of declining values. Investment advisory services offered through CreativeOne Wealth, a registered investment adviser.