SYMPHONY
FINANCIAL SERVICES, INC.

Market Commentary
April 25, 2022

Dear Investors:

The Federal Reserve's Ice Bucket Challenge…

Remember a few years ago when people raised money for charity by challenging others to pour buckets of icy water over their heads? Last week, the Federal Reserve poured a bucket of ice water over the United States stock market. Randall W. Forsyth of *Barron's* explained:

"In the past week, Fed officials stepped up their rhetorical anti-inflation campaign, with Jerome Powell all but promising a half-point increase in the federal-funds target range at the next Federal Open Market Committee meeting, on May 3-4. And other Fed district presidents raised the possibility of more forceful action, including rate hikes of as much as three-quarters of a percentage point, something the Fed hasn't done since 1994."

The Fed's goal is to slow high inflation, which has been exacerbated by the war in Ukraine and China's coronavirus lockdowns, without pushing the American economy into a recession. The question is whether the economy is strong enough to continue to grow as the Fed tightens monetary policy – and opinions about that vary.

One participant in *Barron's Big Money Poll*, which surveys institutional investors across the U.S., wrote, "It's not as bad as people think…Yes, interest rates will rise, but earnings will also rise along with that. Profit margins continue to be very high, and employment is strong. It's growth slowing down, not ending."

Another participant disagreed, reported Nicholas Jasinski of *Barron's*. "[The Fed] should have started the process of raising rates sooner so they could be more patient with the pace of increases…Now, they are going to be overly aggressive trying to play catch-up, and will probably go too far and slow demand down too much."

Last week, major U.S. stock indices declined, reported William Watts and Barbara Kollmeyer of *MarketWatch*, and the real yield* for 10-year U.S. Treasuries was briefly in positive territory for the first time since the pandemic began in 2020, reported Jacob Sonenshine of *Barron's*.

*When the term "real" is used with interest rates, it means the rate has been adjusted for inflation (the bond yield minus inflation). So, the real return is what investors would have after inflation.

Data as of 4/22/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-2.8%	-10.4%	3.3%	13.7%	12.5%	12.1%
Dow Jones Global ex-U.S. Index	-2.4	-11.0	-11.4	2.7	3.0	3.2
10-year Treasury Note (yield only)	2.9	N/A	1.6	2.6	2.3	1.9
Gold (per ounce)	-1.1	6.7	8.6	15.2	8.9	1.8
Bloomberg Commodity Index	-2.6	30.1	46.7	16.3	9.0	-0.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

STOCK MARKETS AREN'T THE ONLY THING THAT'S BEEN VOLATILE. Consumer sentiment has been bouncing around, too. The preliminary results for the April University of Michigan Survey of Consumer Sentiment showed that sentiment jumped 10 percent from March to April, primarily because consumers are feeling more optimistic about the future.

However, the Consumer Sentiment Index is down 25 percent from April of last year. It's a remarkable change when you consider what has happened in the economy over the last 12 months. For example:

- **More people are working**. The unemployment rate was 3.6 percent in March, down from 6.0 percent in March of last year, according to the Bureau of Labor Statistics.

- **Fewer people are filing for unemployment**. Last week, we learned the 4-week average of unemployment claims was 177,250, down from 610,000 in 2021, according to the Department of Labor.

- **The economy continues to grow**. The Manufacturing PMI®, which measures growth in the manufacturing sector, was 57.1 percent in March, the 20th consecutive month of economic expansion. That's a slower pace of growth than last year's 64.7 percent. However, readings above 50 percent mean the economy is growing.

- **Wages are higher**. Average hourly earnings have risen 5.6 percent over the last 12 months, according to the March unemployment report. While the increase has not outpaced inflation in all industries, it has in some. The year-over-year growth rate in hourly earnings was 6.5 percent for retail trades, 6.6 percent in professional and business services, 7.9 percent in transportation and warehousing, and 11.8 percent in leisure and hospitality, reported Andrew Keshner of *MarketWatch*.

- **Inflation is higher, too**. As we've mentioned before, there are a lot of different ways to measure inflation. No matter which way you look at it, inflation is significantly higher than it was last year. The headline *Consumer Price Index* showed prices were up 8.5 percent in March, while core inflation (excluding food and energy prices) was 6.5 percent.

- **Company earnings are strong**. Despite inflation and geopolitical turmoil, companies were profitable during the first quarter of 2022. With 20 percent of companies in the Standard & Poor's 500 Index reporting on earnings so far, 79 percent have reported better-than-expected earnings, reported John Butters of FactSet.

It’s interesting to note that recent surveys have identified a disconnect between the strength of the economy and Americans’ beliefs about the economy. A February 2022 survey conducted by Navigator Research found that 35 percent of Americans thought the economy was experiencing greater job losses than usual. A February 2022 Gallup Poll found that 42 percent of those surveyed thought the economy was performing poorly.

Nobel Prize-winning economist Robert Shiller has written that strong narratives – true or false stories that catch on with the public – influence people’s thinking and decision-making around markets and the economy. The gap between Americans’ perceptions that the economy has performed poorly and is losing jobs and the reality, which is that we’ve experienced a period of strong jobs growth and economic expansion, provide food for thought.

What stories about markets and the economy have resonated with you recently?

Weekly Focus – Think About It

“We are all storytellers. We all live in a network of stories. There isn’t a stronger connection between people than storytelling.”

—*Jimmy Neil Smith, founder, International Storytelling Center*

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

Securities offered through LPL Financial, Member FINRA/SIPC.

* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client’s portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* These views are those of Carson Coaching, not the presenting Representative, the Representative's Broker/Dealer, or Registered Investment Advisor, and should not be construed as investment advice.
* This newsletter was prepared by Carson Coaching. Carson Coaching is not affiliated with the named firm or broker/dealer.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

Sources:

https://en.wikipedia.org/wiki/Ice_Bucket_Challenge
https://www.barrons.com/articles/here-come-the-interest-rate-hikes-they-could-be-even-worse-than-you-expected-51650675298?mod=Searchresults (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2022/04-25-22_Barrons_Here%20Come%20the%20Interest-Rate%20Hikes_2.pdf)
https://www.bloomberg.com/news/articles/2022-04-22/fed-dashes-cold-water-on-shock-and-awe-hike-of-75-basis-points (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2022/04-25-22_Bloomberg_Fed%20Dashes%20Cold%20Water%20on%20Shock_3.pdf)
https://www.barrons.com/articles/stock-market-economy-investing-outlook-big-money-poll-51650659809?mod=hp_LEAD_1 (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2022/04-25-22_Barrons_Bearish%20Now%2c%20Bullish%20Later_4.pdf)
https://www.marketwatch.com/story/stock-futures-drop-and-bond-yields-climb-following-hawkish-comments-by-feds-powell-11650622790
https://www.barrons.com/articles/treasuries-real-yield-stocks-inflation-51650404673 (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2022/04-25-22_Barrons_The%2010-Year%20Treasurys%20Real%20Yield%20Briefly%20Turned%20Positive_6.pdf)
https://www.investopedia.com/terms/r/realinterestrate.asp
http://www.sca.isr.umich.edu
https://www.bls.gov/news.release/pdf/empsit.pdf [Summary Table A]
https://www.dol.gov/sites/dolgov/files/OPA/newsreleases/ui-claims/20220691.pdf
https://www.prnewswire.com/news-releases/manufacturing-pmi-at-57-1-march-2022-manufacturing-ism-report-on-business-301515115.html
https://www.prnewswire.com/news-releases/manufacturing-pmi-at-64-7-march-2021-manufacturing-ism-report-on-business-301260206.html
https://www.marketwatch.com/story/employers-are-hiring-again-but-which-ones-are-paying-wages-that-keep-up-with-inflation-and-which-arent-11648836674
https://www.bls.gov/cpi/
https://insight.factset.com/sp-500-earnings-season-update-april-22-2022
https://navigatorresearch.org/wp-content/uploads/2022/02/Navigator-Toplines-02.23.2022.pdf [page 23]
https://news.gallup.com/poll/390350/satisfaction-low-economic-concerns-remain-high.aspx[18]
https://insights.som.yale.edu/insights/narrative-economics-how-stories-go-viral
https://thestorytelleragency.com/goodreads/50-best-quotes-for-storytelling

4100 Embassy Parkway, Suite 100, Akron, Ohio 44333-1783
330-434-2000 / Fax: 330-665-1515
www.symphony-financial.com