



## Market Commentary March 28, 2022

### Dear Investors:

Be careful what you ask for, you just might get it.

In early March, almost two-thirds of Americans who participated in a *Nationwide Retirement Institute* survey said the Federal Reserve (Fed) should take more aggressive action on inflation. The next week, the Federal Open Market Committee (FOMC) did just that. It increased the target range for the Federal funds rate by a quarter point to 0.25 percent to 0.50 percent.

When rates rise, borrowing becomes more expensive. The change often reduces demand and pushes prices – and inflation – lower. Last week, the Fed rate hike began to affect consumers and investors in a variety of ways. We saw:

- **A sharp increase in Treasury rates.** Last week, the 2-year UST rate rose from 1.97 percent to 2.30 percent. When bond rates rise, bond prices fall, and that can make bonds less attractive to investors. Ben Levisohn of *Barron's* reported:

“With government bonds on pace for their worst year since 1949, investors are looking for other places to put their money – and they may have settled on stocks. In recent weeks, stock and bond prices have stopped moving in the same direction...”

- **Demand for home loans and refinancing drop.** Last Friday, the rate on a 30-year fixed mortgage rose to 4.95 percent. That's 1.64 percent higher than it was a year ago, reported Diana Olick of *CNBC*.

One consequence of higher rates is likely to be lower demand for homes. Last week, applications for mortgages were down 12 percent from the prior year, and the number of home refinancing applications dropped, too.

- **The cost of carrying credit card debt increases.** Last week, the average credit card rate rose from 16.17 percent to 16.25 percent, according to Kelly Dilworth of *CreditCards.com*. That means carrying a balance is more costly – and that expense is likely to continue to increase every time the Fed raises rates.

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Currently, the FOMC expects to raise the target rate range at each of its six meetings this year. If rates increase by a quarter point each time, rates could be significantly higher by the end of 2022, reported Evie Liu of *Barron's*.

Last week, major U.S. stock indices gained, reported Ben Levisohn of *Barron's*.

Data as of 3/25/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.8%	-4.7%	16.2%	17.5%	14.2%	12.4%
Dow Jones Global ex-U.S. Index	0.2	-7.2	-3.8	5.2	4.2	3.1
10-year Treasury Note (yield only)	2.5	NA	1.6	2.4	2.4	2.2
Gold (per ounce)	0.9	7.4	12.5	14.0	9.2	1.5
Bloomberg Commodity Index	5.3	30.9	56.5	16.6	9.0	-1.0

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.

### WHAT'S YOUR PARALLEL PARKING STRATEGY?

A new research study, discussed in the *Annals of Improbable Research*, recommends that drivers reconsider their parallel parking choices in densely populated areas.

Limited street parking creates a variety of challenges for city planners. A dearth of parking may create opposition to bike lanes or new residential developments. In addition, it can produce higher traffic volumes and greater greenhouse gas emissions when driving time is extended by the search for a parking place, reported Dr. Benjy Marks of the University of Sydney and Dr. Emily Moylan of UNSW Sydney who authored *Parallel Parking Vehicle Alignment Strategies*. They explained:

“The alignment of vehicles within parallel parking spaces influences the efficiency of street parking. We numerically model the effect of vehicle-alignment strategy on the packing density over a range of block lengths. We investigate the effect of four strategies:

- a) front of available space
- b) either end of available space
- c) middle of space
- d) randomly within the space

“The findings quantify the advantage of aligning vehicles at the ends of the available space...”

While the researchers' findings may be valid, drivers who do not excel at parallel parking may find the idea of employing a specific parallel parking strategy to be wildly optimistic.

A recent survey found 49 percent of American drivers have some degree of fear of parallel parking, which is a fairly complex driving maneuver. Taylor Covington of *The Zebra* reported:

“Parallel parking spots are often located in areas where parking is limited. These areas are usually busy with pedestrians or other cars so, it increases the pressure to find and fit in a spot. That may explain why drivers reported that ‘holding up traffic’ was their biggest fear related to parallel parking. Other common concerns included hitting another car, getting blocked in, bystanders watching, and hitting the curb.”

Perhaps self-parking cars will help.

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## Weekly Focus – Think About It

“It takes time to create excellence. If it could be done quickly, more people would do it.”

--John Wooden, NCAA basketball coach

Best regards,



John Y. Kim, J.D., LL.M.  
President

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.

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\* 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.

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\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

\* 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.

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- \* Asset allocation does not ensure a profit or protect against a loss.
- \* Consult your financial professional before making any investment decision.

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