



Market Commentary February 14, 2022

Dear Investors:

Why did stock markets in the United States finish the week lower?

If this were Jeopardy, acceptable answers to that question might include:

Rising inflation. Major U.S. stock indices were trending higher until the Consumer Price Index (CPI) Summary showed inflation at a 40-year high. Consumer prices overall were up 0.6 percent in January with seasonal adjustment, and 7.5 percent over the last 12 months without seasonal adjustment, according to the U.S. Bureau of Labor Statistics. U.S. stocks sold off sharply on the news before regaining lost ground.

Changing Federal Reserve rate-hike expectations. After the inflation report was released, St. Louis Fed President James Bullard indicated that he would like to see the Fed funds rate rise rapidly to fight inflation, reported Lisa Beilfuss of *Barron's*. Investors recalibrated their expectations and by the end of the week the probability of a 0.50 rate increase in March was at 94 percent, according to the CME FedWatch Tool.

Flattening of the U.S. Treasury yield curve. Expectations for more aggressive Fed actions rolled through bond markets last week. The yield on benchmark 10-year U.S. Treasuries rose above 2.0 percent, before finishing the week at 2.0 percent. The yield curve flattened as 2-year Treasury yields rose more sharply, finishing the week at 1.5 percent.

Escalating geopolitical tensions. Then again, the culprit behind U.S. stock market performance last week could be expectations that Russia will invade Ukraine and start a war.

“Investors can’t blame rising prices for Friday’s plunge. Markets were poised to end the week higher, despite a hotter-than-hoped-for inflation reading on Thursday... Escalating geopolitical tension was the first problem Friday. Both the United Kingdom and the U.S. suggested that Russia could soon invade Ukraine and advised their citizens to leave the country... the news injected a rush of uncertainty into the market. And investors really hate uncertainty,” reported Al Root of *Barron's*.

Declining consumer sentiment, especially among the wealthy. Consumer sentiment dropped 8.2 percent from January to February, reaching the lowest level in a decade. Notably, “The entire February decline was among households with incomes of \$100,000 or more; their Sentiment

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Index fell by 16.1% from last month, and 27.5% from last year. The impact of higher inflation on personal finances was spontaneously cited by one-third of all consumers,” reported Surveys of Consumers Chief Economist Richard Curtin. It’s possible that consumer pessimism will slow demand for goods and that, in turn, could help lower inflation.

The reality is that there often is no single answer to explain why stock markets move up or down. Each of the above may have contributed to last week’s downturn. There is currently tremendous uncertainty about the potential impact of Fed policy changes, war in Europe, and other issues. As a result, it’s possible markets will remain volatile in the weeks ahead.

Data as of 2/11/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.8%	-7.3%	15.8%	17.7%	13.7%	12.6%
Dow Jones Global ex-U.S. Index	1.4	-1.9	-2.1	8.2	5.8	3.9
10-year Treasury Note (yield only)	2.0	N/A	1.2	2.7	2.4	2.0
Gold (per ounce)	1.5	0.6	-0.5	11.9	8.4	0.6
Bloomberg Commodity Index	0.3	10.8	31.7	11.3	4.4	-2.8

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.

THE NATURE CURE.

When you were a kid, your parents probably told you to go outside and play. Your mom and dad may have just wanted to get you out from underfoot but, as it turns out, going outside is good for your mental and physical health.

In 2019, Mathew White of the European Centre for Environment and Human Health and his colleagues published an article in *Nature*. Their research found that people who spend more than two hours a week in nature “had consistently higher levels of both health and well-being” than those who spent less time in nature. The benefits of nature appear to max out at four hours.

Jason Goldman of *Scientific American* reported, “The two-hour benchmark applied to men and women, to older and younger folks, to people from different ethnic backgrounds, occupational groups, socioeconomic levels and so on. Even people with long-term illnesses or disabilities benefited from time spent in nature—as long as it was at least 120 minutes per week.”

So now that you’re an adult, your doctor may tell you to go outside and play.

A non-profit organization, called Park Rx America – Nature Prescribed, encourages doctors “to decrease the burden of chronic disease, increase health and happiness, and foster environmental stewardship” by prescribing nature during healthcare exams. The organization helps doctors identify parks in their patients’ neighborhoods and provides educational materials.

Canada is taking things a step further. Physicians can prescribe an “Adult Parks Canada Discovery Pass,” which gives their patients free access to 80 national parks, historic sites, and marine conservation areas, reported Andy Corbley of the *Good News Network*.

Even if you don’t have a free pass, it’s a good idea to go outside and play!

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Weekly Focus – Think About It

“Play is an activity enjoyed for its own sake. It is our brain's favorite way of learning and maneuvering.”

—Diane Ackerman, author and naturalist

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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- * 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.
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- * 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.
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