



## Market in a Minute

March 8, 2022

### Index Performance: As of March 4, 2022

Index	Price	Last Week	YTD
S&P 500	\$ 4,328.87	-1.27%	-9.18%
Dow Jones	\$ 33,614.80	-1.30%	-7.49%
NASDAQ	\$ 13,313.44	-2.78%	-14.90%
Russell 2000	\$ 10,374.22	-1.92%	-10.74%
Russell 2000 Growth	\$ 8,953.80	-3.57%	-16.47%
Russell 2000 Value	\$ 15,761.34	-0.41%	-4.96%
Russell 1000 Value	\$ 2,633.47	-2.49%	-14.84%
SPDR Gold Shares	\$ 183.68	4.04%	7.44%
GS Crude Oil Total Return	\$ 280.00	36.75%	98.27%
Powershares US \$ Index	\$ 26.36	2.01%	2.85%
iShares EAFE Index	\$ 69.03	-7.52%	-12.26%
Barcleys Aggregate Bond Index	\$ 110.30	0.67%	-3.31%
iShares Barclays 20+ Yr Treasury Bond	\$ 140.24	2.46%	-5.36%
Utilities Select Sector ETF	\$ 70.89	4.90%	-0.96%
Vanguard REIT ETF	\$ 105.24	1.10%	-9.28%
iShares Mortgage Real Estate	\$ 31.74	-0.28%	-8.03%
Alerian MLP ETF	\$ 38.48	5.98%	17.53%
iShares Global Telecom	\$ 71.82	-3.38%	-12.66%
ETFMG Alternative Harvest ETF	\$ 8.87	-7.70%	-19.95%
Grayscale Bitcoin Trust	\$ 26.13	-3.83%	-23.71%
Shanghai SE Index	\$ 3,447.65	-0.11%	-4.74%

### A Word on the Market

By: Patrick Adams, CFA



**Russia/Ukraine:** We are surprised by how difficult it is for Russia to take Ukraine, more so from the view of how ineffective the Russian military has been. Russia could not fight a war with NATO, in our opinion. The fact that the U.S. is buying Russian oil is idiotic! There are so many things that can be said! There is perhaps an easy way to stop this war by appeasing Putin, granting certain territories and a complete demilitarization of Ukraine. For now, the Ukrainians do not seem to be going down that path. **The market is hunting for a bottom but cannot find it as the war keeps getting worse on the margin.** From the estimates we are seeing, **the result appears to have been to increase inflation globally by as much as 1% and about the same for the decline in GDP growth.** History shows you always need to stand up to bullies. **If the war were to end, we would expect a significant market rally.** The big risk is a collapse of NATO, Biden seems to have handled this well. If China and Russia are now soulmates, the world needs to rethink everything. Let the Chinese and Russians trade with each other, only. The market is very short-term oriented, this is a long-term problem with so many potential negative paths forward.

**Federal Reserve:** Stagflation appears to be where we are headed. Last week, Powell announced they will increase interest rates by .25% when they meet next week. There is a very high link between the Federal Funds rate and the yield on short-term Treasuries. The market is discounting roughly in 12-months the Federal Funds rate will be around 1%. Below is the 1-Year Treasury yield minus the Federal Funds rate.

Source: Bloomberg & Yahoo.com, Returns are appreciation only.

### S&P Sector Performance: As of March 4, 2022

Index	Price	Last Week	YTD
Information Technology	\$ 2,623.96	-3.01%	-14.12%
Consumer Disc.	\$ 1,350.60	-2.63%	-16.15%
Consumer Staples	\$ 790.30	-0.07%	-1.78%
Health Care	\$ 1,542.57	1.17%	-6.17%
Financials	\$ 617.65	-4.87%	-4.98%
Industrials	\$ 100.39	1.27%	-5.12%
Energy	\$ 569.81	9.26%	34.79%
Communications Services	\$ 226.71	-2.67%	-15.24%
Utilities	\$ 358.37	4.78%	-1.47%
Materials	\$ 520.74	-1.60%	-8.58%
Real Estate	\$ 2,623.96	-3.01%	-14.12%

Source: Bloomberg website, Returns are appreciation only.

### PVG Strategies

Tactical Strategies	YTD
Tactical Total Return	-6.1%
Dynamic Core	-6.3%
Tactical Core	-10.0%
<b>Loss Averse</b>	
Loss Averse Equity Income	.3%
Navigator Growth	-4.0
<b>Specialty</b>	
Emerging Healthcare	-14.8
<b>Value</b>	
U.S. Large Cap	.7%
<b>Income</b>	
High Income	.5%
U.S. Corporate Bond	-1.5%

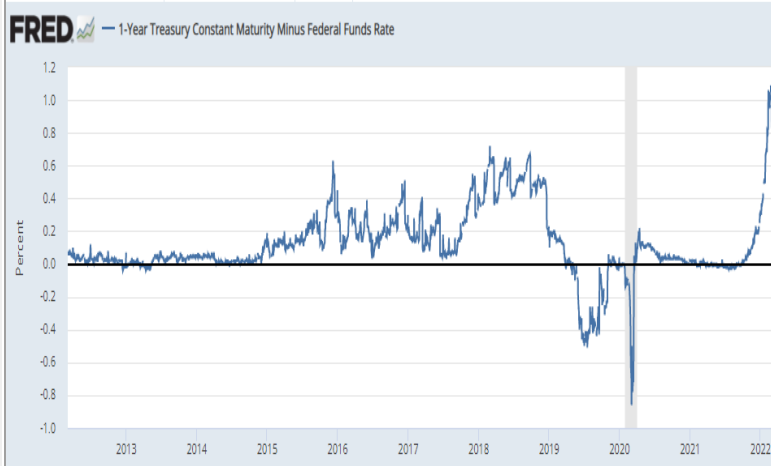
### Interest Rates

<b>Fed Fund</b>	.25 %	<b>5-Year</b>	1.74 %
<b>3-Month</b>	0.37 %	<b>10-Year</b>	1.86 %
<b>6-Month</b>	0.67 %	<b>30-Year</b>	2.24 %
<b>2-Year</b>	1.53 %		

Source: Bloomberg.com

### Economic Events This Week

## 1-Year Treasury minus Federal Funds Rate



The Fed has been so slow in adjusting interest rates to market conditions, so we are stuck with inflation. A very accurate economic indicator over the years has been the shape of the yield curve of the bond market, specifically the spread between the 10-Year Treasury minus the 2-Year Treasury. When the 10-2 Year inverts it has been historically a very good predictor of a recession. The spread is currently .24%, not much room to being flat. This does not leave the Fed much to tame inflation without throwing the economy into a recession.

## 10-2 Year Treasury

10-2 Year Treasury Yield Spread



Mar 07 2022, 2:38PM EST. Powered by YCHARTS

**PVG Strategies:** We have a number of strategies (please see Loss Averse Equity Income, Large Value, and High Income) that have positive returns for the year, while many of the major indices are down significantly and some have entered a bear market. Our Dynamic Core Strategy is fully hedged (no net market exposure) and Tactical Total Return has very little market exposure.

**Oil:** The chart below shows oil prices since 2001. During July of 2008, oil went as high as \$145 per WTI Barrel. The price is currently about \$119. We would expect the U.S. will block Russian energy and other nations will follow. Russia produces over 10 million barrels per day, which is over 10% of the global market. Oil prices could significantly surpass the highs in

Date	Report	Forecast	Previous
9-Mar	JOLTS Job Openings	10.88M	10.93M
10-Mar	CPI m/m	0.8%	0.6%
11-Mar	Unemployment Change	123k	-200.1K
11-Mar	Unemployment Rate	6.3%	6.5%
11-Mar	Prelim UoM Consumer Sentiment	60.8%	62.8%

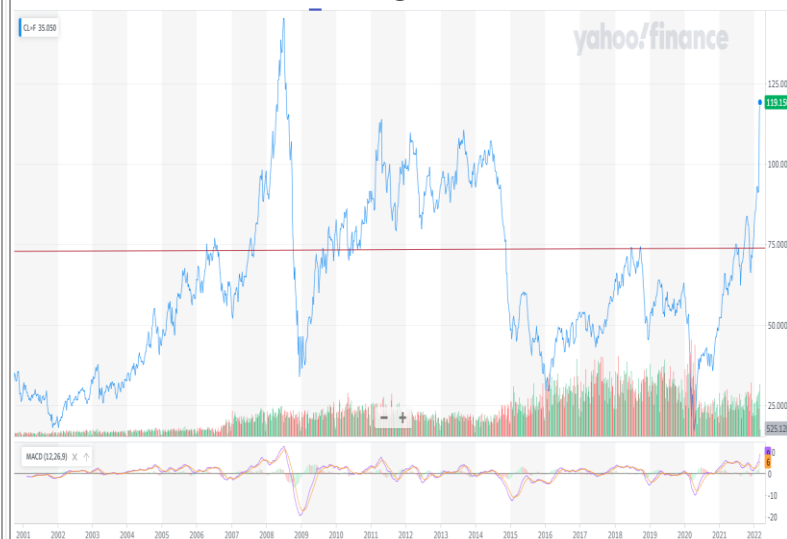
Source: Briefing.com

#### Economic Events Last Week

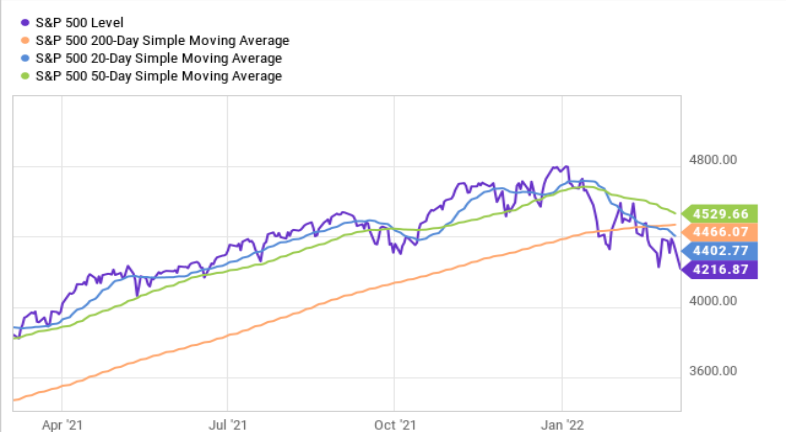
28-Feb	U.S. trade deficit in goods climbs to a record \$107.6 billion in early 2022
1-Mar	ISM finds shortages are still a barrier, but U.S. factories are growing faster
2-Mar	Businesses created 475,000 new U.S. jobs in February
3-Mar	The services side of U.S. economy grows at slowest pace in a year
4-Mar	U.S. gains 678,000 jobs in February and unemployment drops to 3.8% despite labor shortage

2008. High oil prices historically have been an important ingredient to economic recessions.

### Oil



**Technical:** The markets are in a downtrend, defined by breaking the 200-day moving average. We are being cautious. The S&P 500 on Monday broke the support at 4300 and closed at 4201. Right now, the markets are focused on the Ukraine and oil prices, not really the Fed.



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