Weekly Update

3/4/22

		YTD Returns
Domestic Equities	S&P 500	-8.22%
International Developed	MSCI EAFE	-9.55%
Emerging Market	MSCI EM	-4.71%
Fixed Income	BBgBarc US Agg Bond	-3.55%

Index returns are from YCharts and are calculated on a total return basis, with dividends reinvested.

The Russian conflict and inflation continue to dominate headlines, and unfortunately, there is no immediate good news to report on either. International markets have been broadly lower since Russia invaded Ukraine. Regarding Russia, everyone knew the economic costs of invading would be high, but judging by the response, Putin may have made an historic blunder. He, the Ukrainian people, and especially Ukrainian President Zelensky, have however done a masterful job of uniting the free world in a way that we have not seen in quite some time. Words are easy however, and it will take time to see if the current outpouring of support for Ukraine and almost universal condemnation of Putin's regime will translate into peace and prosperity for the region. It is unlikely that full-scale warfare is going to break out between Russia and the West, but the actions taken by Putin have tensions at high levels. We have already seen significant economic sanctions on Russia from both the US and much of the world - and we will likely see more. In the short-term this could add to inflation pressures, most directly around energy prices.

Closer to home, the heightened risk and general negative sentiment could push the Fed to move more cautiously in their upcoming meetings. We also have to consider the fact that financial conditions have tightened considerably in recent months. The Fed knows the power of their words and just by positioning themselves more aggressively we have seen bond yields rise and equity markets reprice to new expectations. If anything, markets may be expecting too much tightening, and later in the year, we could see a dovish pivot which could be good for stocks.

Looking more closely at markets, we do not believe that the Russia situation will lead to a large drop in stocks from these levels. Investors have already dealt with their share of issues to start the year and sentiment has swung decidedly to the negative side. Somewhat counterintuitively, this can actually be an important indicator of upcoming positive results. No one can say exactly how all of this will play out or what further actions will be taken, but these factors, combined with the likely slowing of rate increases by the Fed, significantly improve markets' ability to find more stable footing throughout the year.