MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 3/11/22

THE WEEK IN REVIEW

Equity markets swung between dip-buying and panic-selling this week amid a deluge of headlines surrounding the war in Ukraine and sanctions against Russia. Despite a brief spell of improving sentiment on Tuesday and Wednesday, the S&P 500 and Nasdaq posted weekly declines of 2.9% and 3.5%, respectively. The energy sector (+1.9%) was the only major S&P 500 group to record a positive weekly return. The consumer staples (-5.8%) and technology (-3.8%) sectors suffered the sharpest weekly losses of all 11 S&P groups. In bond markets, yields on the 10-year U.S. Treasury note climbed from 1.73% last Friday to 2.00% in late trading today despite an intensification of the war in Ukraine.

West Texas Intermediate (WTI) crude oil futures surged to a 14-year high of $129 per barrel early Tuesday morning in anticipation of a U.S. ban on Russian energy imports. WTI crude fell back below $110 per barrel in the three days following the U.S. ban, however, as the European Union took a more measured approach to weaning itself off Russian fossil fuels. The U.S. Senate passed a $1.5 trillion federal spending bill by a 68-31 vote ahead of a midnight deadline that would have caused a government shutdown. The package includes $13.6 billion for a combination of defense and humanitarian spending directly related to the Russian invasion of Ukraine. The bill also contains a $28.4 billion increase in overall defense spending to $743.4 billion in the current fiscal year.

The U.S. Consumer Price Index (CPI) rose 0.8% in February from a month earlier and 7.9% on a year-over-year basis to notch a new 40-year high. Both the monthly and 12-month readings were in-line with a recent Bloomberg survey of economists. Gasoline prices, which climbed 6.6% in February from a month earlier, accounted for roughly 30% of the monthly CPI gain. The National Federation of Independent Business (NFIB) said its small business optimism index fell to 95.7 in February, which was below estimates and the lowest level since January 2021. A net 48% of respondents reported job openings they were not able to fill in February, while 26% of respondents indicated that inflation was the single most important problem facing their businesses. The University of Michigan's Consumer Sentiment Index declined to 59.7 in February from 62.8 in the prior month. February's reading was the lowest since 2011 as an increasing percentage of Americans expect their finances to worsen over the next twelve months amid sharply higher inflation. Consumers expect prices to rise 5.4% over the next year, the highest reading since 1981.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	95.7	98.4	▼
JOLTS Job Openings (Millions)	11.26	11.09	▲
Consumer Price Index (Y/Y)	7.9%	6.8%	▲
U. of Mich. Consumer Sentiment	59.7	70.6	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	33614.80	-1.30%	-7.49%	8.70%
NASDAQ	13313.44	-2.78%	-14.90%	4.64%
S&P 500	4328.87	-1.27%	-9.18%	14.87%
MSCI EAFE	2107.87	-3.21%	-9.77%	-3.55%
Bbg Barclays Aggregate US	2271.56	0.47%	-3.55%	-2.26%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	0.31%	0.22%	0.03%
10-Year Treasury	1.75%	1.91%	1.56%

REPORTS DUE NEXT WEEK	LATEST
Producer Price Index (Y/Y)	9.7%
Retail Sales (M/M)	3.8%
Housing Starts (Millions Annualized)	1.638
Building Permits (Millions Annualized)	1.895

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.