Week of
3/28/2022

Econ Wealth Management

EWM A.M. Cup of Joe

ASSET MANAGEMENT

It's as easy as 1, 2, 3

Each week Econ Wealth's Asset Management team provides insight to the markets and what they're seeing in the charts.

Step 1

Read J.P. Morgan's "Weekly Market Recap" for their latest update and note the following:

- *"The week in review" in the top left of the page*
- *"Weekly Data Center" for the Index Returns over various timeframes*
- *S&P 500 Sector Returns in the bottom right corner for YTD and last week's performances*

Step 2

Read TD Ameritrade's "Macro Monday" for an insight into technical analysis and focus on:

- *"Recapping Last Week" in the middle of the page*
- *The Chart of the Week at the bottom to learn more about general techniques as they describe their chart of the week*

Step 3

Follow EWM's latest insights in the following areas:

- ***Technical Overview**: This week, we are highlighting the U.S. small and mid-cap asset classes as depicted below by the Schwab ETFs. Historically, these two asset classes are considered as leading indicators of the general market meaning they move prior to the larger indices like the Dow Jones or S&P 500. The 3-month charts, or roughly year-to-date performance, are presented below where you can note the small-caps are down about 7% and mid-caps around 5.5%. So far, these asset classes have been leaders on the downside as the Dow and S&P are both down around 4.5% for the year. While these two are down more than the large caps, they remain an area of focus as they have not rebounded as well as their large cap counterpart ETFs from the bottom in late February. Fundamental factors, including a rising rate environment, are also important to consider. Many of these smaller companies are required to borrow more than larger ones to operate and with rising rates, their cost to borrow is increasing, which may be cutting into earnings moving forward. With all of this in mind, we consider the possibility that the move in the large caps isn't the breakout move and that there is potential pullback ahead.*

*Courtesy of Stockcharts.com

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Disclosures

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*Courtesy of Stockcharts.com

- *Above is the updated 5-day 5-minute chart of the Dow Jones that we've continued to update throughout our previous "Cup of Joe" editions. As you can see, a rectangle has formed from where we started on the 21st to where we hit the top multiple times including at the end of the week. As suspected, we continue to move between these levels of support and resistance and anticipate the volatility to continue. However, as seen by the yellow shaded area, our short-term target remains around the 35.2k mark which is a little over 500 points away from the current level. Yet, the height of the box (500 points) also suggests that our target could be the Fibonacci line right above the 35.3k mark as we would suspect the next move to be equal to the height of the rectangle. Either way, we have targets to the north that we are aiming for in our short to intermediate term view which will guide us through our trading process.*
- ***Economy**: There were several positives in the U.S. economy last week following labor market reports and crude oil pricing. The initial jobless claims reached the lowest level since the 1970s, and U.S. business activity continued its uphill trend. As the U.S. continues its trend to relax pandemic restrictions, businesses and consumers stay optimistic that economic troubles will fade after the FOMC fights inflation through the rest of 2022.*
- ***Markets**: The Fixed Income market continued to slide as yields rose with the 10-year finishing the week just under 2.5%. As mentioned in **Step 2,** the 30-year fixed mortgage rate reached a 3 year high of 4.5%. Rising rates and slower growth will continue to be the focal point for many markets other than the equity one we usually refer to.*
- ***Portfolios**: Recently, we have been in more of a holding period with only two new buys in our more tactical portfolios this past week. We added new positioning in Ford (F) and Fulton Financial (FULT) which have both pulled back from recent highs and are currently around support levels.*

Key Market Levels:

	Fri 4pm ET	YTD	S&P500 Sector	3 Month
S&P 500	4,543	-4.68%	Communications	-10.94%
NASDAQ COMPOSITE	14,169	-9.43%	Discretionary	-10.31%
DJIA	34,861	-4.06%	Energy	+41.89%
Russell 2000	2,078	-7.45%	Financials	+1.20%
Int'l Emerging	1,125	-8.68%	Health Care	-3.28%
VIX	20.81	16.3Lo/38.9Hi	Industrials	-1.98%
Oil	112.55	+49.17%	Materials	-1.46%
Gold	1,954	+6.70%	Real Estate	-9.03%
Bitcoin	44,488	-4.22%	Staples	-2.68%
US 10 yr	2.49%	+98 bps	Technology	-9.00%
US 30 yr	2.60%	+69 bps	Utilities	+1.68%

*Courtesy of JP Morgan

The figure presented in **Step 1** gives a year-to-date break down of major indices and the 11 sectors. In previous weeks, we highlighted energy, utilities, and financials as the leading sectors. As the overall market continues its volatile pattern, the Asset Management team looks to find value in overweighting specific sectors across our different portfolios. The current environment of rising rates along with the global strife, we look to see continued volatility in the market and plan to remain active with our holdings.