Week of

3/21/2022

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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

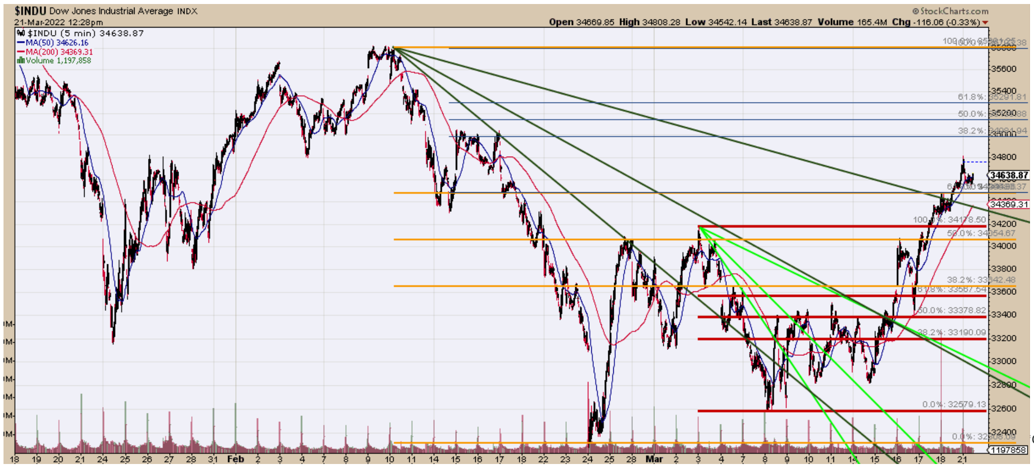
Read TD Ameritrade's "Macro Monday" for an insight into technical analysis and focus on:

- *"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**: Below, you can see a longer version of the chart that was presented last week; the Dow Jones from a 5-minute view. This week, we've extended it to cover the past two months and included the Fibonacci and speed lines we annotated last week as well as added a new Fibonacci analysis that spans from the mid-February high down to the bottom on February 24th. The key points from this analysis include the movements from the last two weeks that had "bounced" off the different levels of the red Fibonacci from the 11th until the 15th of March where you can see the two speed lines intersect. From there, the Dow "broke out" and extended initially to the 50% level of the longer-term move before a breakout again to its current level. With the market above the highest speed line currently, we're looking at several levels of support down to around 34k but with some overhead resistance now as seen by the smaller blue Fibonacci lines. After a big rebound last week following the Fed's announcement that raised interest rates, we are eager to monitor how the news settles out after that initial jolt higher.*



Courtesy of Stockcharts.com

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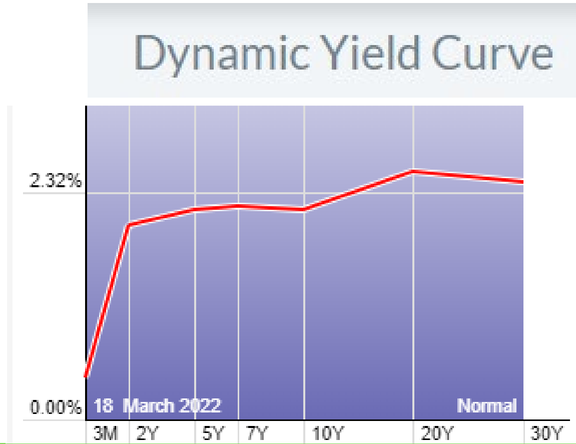
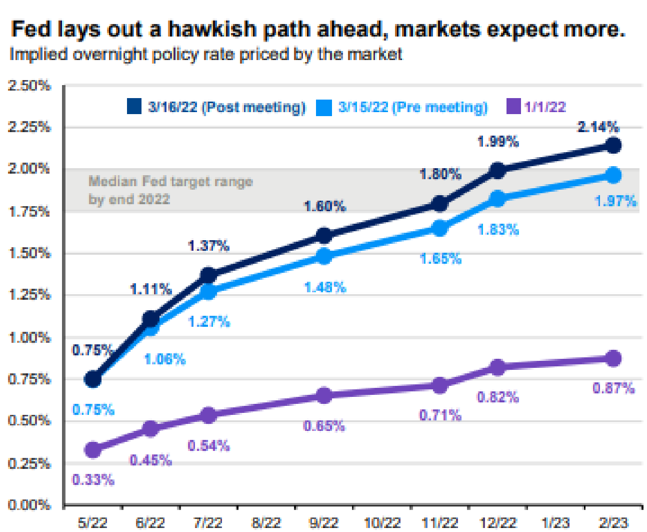


*Courtesy of Stockcharts.com

- *The yield curve is another chart of note that we've been keeping track of as the Fed finally raised rates for the first time since 2018. Key factors we're looking at in the chart above is the relationship between the yields of the various time frames. A normal yield curve has an upward slope where short-term debt instruments have lower yields than long-term ones. Even with the 10-year yield hitting 2.25% recently, you can see the 5 and 7 years are just about even or slightly higher. On top of that, the 20 year is greater than the 30 which is illustrating somewhat of a downward slope. An inverted curve where short term yields are higher than long-term yields can often be a leading indicator of a possible recession in the future and is why it has become a focal point this year.*
- ***Economy**: Following the Federal Open Market Committee (FOMC) meeting last week, the Fed increased the overnight lending rate by 25 basis points (bps). There is an expectation for an additional 6 rate increases throughout the rest of 2022. From an economic standpoint, these interest rate hikes incentivize saving by making borrowing more expensive for businesses and consumers.*
- ***Markets**: The FOMC decision will directly impact both the equity and fixed income markets. Many investors believe the interest rate hikes are already built into equity pricing, however, the level at which the increases will happen could lead investors to be more bullish than initially expected. The fixed income market has taken the brunt of the speculation as long, intermediate, and short-term bonds have seen price action to the negative side since December and could continue to fall as rates move higher.*
- ***Portfolios**: In preparation for the Fed's announcement last week, the Asset Management Team has increased the position in an intermediate bond ETF position. We have also been adding to the energy sector as oil prices slide off their highs.*



The figure presented in **Step 1** outlines a comparison of the Fed's previous and current plans on how to combat inflation. Initial 2022 reports alluded to transitory inflation; however, the US economy has felt the pressure as consumer goods and gas prices have crept higher during the first quarter. The bottom line indicates the Fed's initial plan; unfortunately, price hikes and over 7% inflation have forced their hand for a more hawkish rate policy. The Fed's hopeful their strategy will encourage consumer saving and help mitigate record high inflation numbers.

*Courtesy of JP Morgan