Week of

4/4/2022

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Econ Wealth Management

EWM A.M. Cup of Joe

ASSET MANAGEMENT

ECON WEALTH'S A.M. CUP OF JOE

It's as easy as 1, 2, 3

Each week Econ Wealth's Asset Management Team (AMT), led by Steve Economopoulos assisted by Jake Artz and Tony Zimmerman, 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

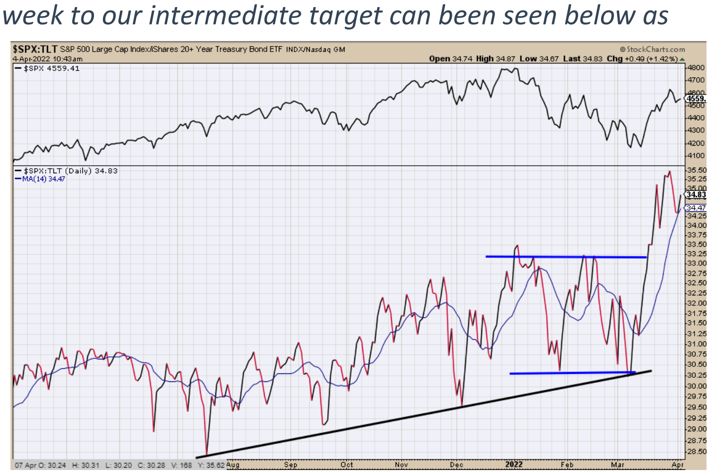
Read TD Ameritrade's "Macro Monday" for an insight into technical analysis and focus on:

- *"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 displaying one of the charts that we analyze on a weekly basis as part of our macro review. The chart below is a comparison of the S&P 500 index and the 20-year Treasury Bond Exchange Traded Fund, TLT. Since this chart is comparing two different asset classes via one line graph, we are interested in whether the chart is an uptrend or downtrend. An uptrend would denote that the numerator in the equation is outperforming the denominator and, in this case, would mean the S&P 500 is outperforming the 20-year treasury. As marked by the black trendline, the relationship between the two asset classes has been in an uptrend since July of last year. More recently, the blue horizontal lines represent a range from just the first three months of this year where we can see the relationship hit the bottom and top several times each. Interesting to see how the relationship was relatively flat (moving horizontally) for the first quarter with the equity market finishing with its worst return in two years. The breakout last week to our intermediate target can been seen below as the relationship broke out of the rectangle pattern and peaked around 35.50. Rising yields continue to put pressure on the bond market and suggest why stocks continue to outperform. However, this relationship remains important to us and if this becomes overextended, may suggest we look at bonds as an undervalued asset class.*



*Courtesy of Stockcharts.com

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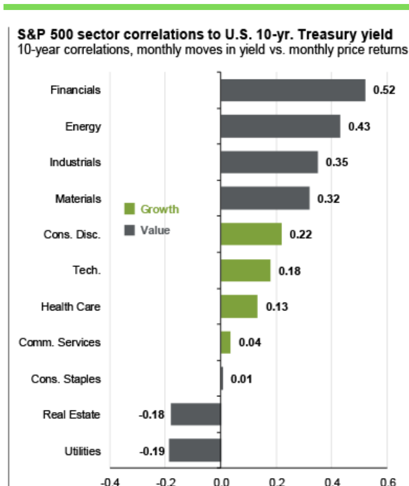
*Courtesy of Stockcharts.com

- *Above is the 5-day 5-minute chart of the Dow Jones to review last week's move in the equity market. First, an update from last week's write-up. Just as we noted that the target from the rectangle (the blue box) was between the top of the orange shaded area and the 61.8% green line that's just above the shaded area. The market proceeded to open on Tuesday right around those levels, signaling our AMT to be sellers of certain holdings. After a brief retracement and then a test of the high on the 30th, the Dow has dropped to previous levels inside our rectangle pattern which continues to provide support. We expect the volatility to continue and are anticipating a sideways move for the short-term with areas of support and resistance surrounding current market levels.*
- ***Economy**: Continuing the conversation from last week, the US economy continues to find positives amidst the current global situation. Another encouraging job report as well as the first decline in the U.S. trade deficit since January signal positives in American consumer trends; unfortunately, neither of those factors influenced the market in a positive manner.*
- ***Markets**: Last week, the major indices saw a mix of minimal losses/gains as consumer sentiment remains uneasy. The US has decided to dip into emergency oil reserves to help combat heightened gas prices, as a result, the energy sector was the largest loser during last week's trading. Overall sector performance will continue to remain mixed as supply chain issues remain present and the Fed continues to effect growth stocks with their hawkish interest rate approach to reverting inflation.*
- ***Portfolios**: The AMT realized multiple positions across our portfolios as the market hit our target on Tuesday and again on Wednesday. The team took gains in a utilities sector ETF as well as a US dividend fund. With the current volatility, having cash to spend can prove to be beneficial as holdings pull back and additional shares can be purchased to lower their cost basis or provide capital to enter positions.*



The figure on the left represents the relationship between the 11 S&P 500 Sectors and the 10-year US Treasury rate. Historically, when the treasury yield moves, the market sees cyclical value sectors lead the way with the growth sectors lagging. Consumer Discretion tends to lag during these times as consumers are forced to be stricter with their money as their expenses rise. Real Estate and Utility companies tend to be more leveraged with debt and in a rising interest rate environment spend more on borrowing which decreases profit margins. This sends investors to sectors like financials and energy that tend to reap the benefits of increased borrowing costs and services.

Courtesy of JP Morgan Market Insight