

## Beacon Weekly Investment Insights

Unfortunately, the rising tensions between Russia and Ukraine will continue to weigh on the sentiment of global financial markets until a resolution is clear. Obviously, we cannot predict the ultimate outcome of this, but we do hope for a diplomatic solution over the coming weeks. As of the writing of this, Russia intends to recognize two separatist regions in Ukraine as independent states. This will put pressure on the NATO nations as well as others to craft a response which most likely will include some form of economic sanctions. More to come.

In reaction to the tensions, equity markets continued their weak tone as the three major indices, the Dow Jones Industrials Average, S&P 500, and NASDAQ Composite fell 1.9%, 1.6%, and 1.8% respectively. Geopolitical risk is always one that we highlight in client communications, and this is now at the forefront. The immediate implications for the global economy has and will continue to be upward pressure on energy prices. During the week, the international oil benchmark Brent Crude closed the week at \$93.54 per barrel while the US benchmark West Texas Intermediate rose to \$91.54. Energy costs along with other commodities are an important component in global inflation data, which happens at the moment to be the other ongoing concern for economies and the financial markets. In the US Treasury market, we saw 10-year yields rise above 2% for a portion of the week before settling at 1.93%.

Last Wednesday (2/16), the minutes from the last Federal Reserve Open Market Committee meeting were released. The biggest question at this point is not will the Fed begin the interest rate hiking cycle at its next meeting in March, but will the increase be 0.25% or 0.50%. Current betting odds are favoring a 25bp hike, but the odds of a 50bp hike are not insignificant. This is due to the four decade high inflation releases along with other evidence that the economy continues to recover strongly from the COVID induced weakness. Job reports have been showing strength in recent releases along with weekly claims reports that have trended lower. Retail sales rose at a seasonally adjusted 3.8% pace in January versus December, the strongest monthly gain since last March.

Also during the week, housing data continued to exhibit strength. The sale of existing homes rose 6.7% in January to a seasonally adjusted pace of 6.5 million units. Although the pace on a year over year basis has slowed, many experts continue to point to the lack of supply of homes for sale, which is at an all-time low, along with the recent uptick in mortgage rates. Building permits remain strong, which indicate strength in future supply, but builders are continuing to talk about issues with low supplies and lack of workers still impeding completion of homes. We do believe as with other supply chain issues effecting supply and pricing, that this will begin moderating as the year progresses.

For this upcoming week, we will continue to monitor the geopolitical risks and its effects on the financial markets. We will also have a number of Federal Reserve Governors speaking during the week. Investors will be looking for language in any of the speeches that may provide insight as to the magnitude of rate hikes along with indications for the end of the Fed bond buying program, scheduled for March. Economically, home price data from Case-Schiller will be released on Tuesday along with new home sales data on Thursday. Friday we will have the consumer spending data released from the Commerce Department along with the personal-consumption expenditures index, the Fed's preferred measure of inflation.

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<b>Market Scorecard:</b>	<b>2/11/2022</b>	<b>YTD Price Change</b>
Dow Jones Industrial Average	34,738.06	(4.40)%
S&P 500 Index	4,418.64	(7.29)%
NASDAQ Composite	13,791.15	(11.85)%
Russell 1000 Growth Index	2,704.94	(12.03)%
Russell 1000 Value Index	1,613.67	(2.54)%
Russell 2000 Small Cap Index	2,030.15	(9.58)%
MSCI EAFE Index	2,279.33	(2.43)%
US 10 Year Treasury Yield	1.94%	43 basis points
WTI Crude Oil	\$92.31	24.85%
Gold \$/Oz.	1,807.80	1.75%

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