Beacon Trust
INNOVATING WEALTH STRATEGY

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Beacon Weekly Investment Insights

War breaks out in Eastern Europe and stocks go up for the week? Market behavior in the aftermath of Russia's invasion of Ukraine further resolves our view that consistent market timing is impossible and that the primary path to investment success is by following time-tested, long-term principles. Our thoughts are with those affected by the developing war, and especially with the Ukrainian people and refugees. We hope for a peaceful resolution to this conflict as soon as possible, but realize that the repercussions may last for years, if not decades.

We acknowledge the incalculable human tragedy unfolding as the war escalates, but also realize that our clients rely upon us to act as stewards of their capital, especially during times of market volatility. Historically, the onset of war results in a knee-jerk reaction to the downside, but with markets reverting to the fundamentals usually within a few months of the initial event. In our view, the fundamentals of the U.S. economy remain strong, despite a simmering inflation problem that has played a role in sapping consumer confidence. Fortunately, the Omicron variant of COVID-19 continues to recede at a rapid rate, providing a boost according to a number of dimensions.

The primary economic impact of the Russian-Ukrainian war is likely to be a continued rise in commodity prices which further exacerbates inflation in the U.S. and abroad. The war may result in a slight deceleration of the Fed's tightening policy, but they are still expected to move ahead with a 0.25% increase of the Federal Funds Rate after their March 16th Federal Open Market Committee Meeting. Market volatility is expected to remain high for the foreseeable future. Stocks started the week down sharply around the world after several Russian banks were targeted for exclusion from the SWIFT financial system that is integral to international trade. Increased financial support and defense weapons are being sent to the Ukrainian government, increasing the probability of a protracted war. Furthermore, the international financial community has largely moved to freeze the assets of an increasing number of Russian oligarchs, with the full ramifications of these policies unknown at present.

Pivoting away from the macroeconomic and geopolitical headlines, we have reached the tail end of earnings season. Lowe's reported strong earnings amid a robust housing market despite the rise in long-term interest rates. Warren Buffett of Berkshire Hathaway released his widely read shareholder letter over the weekend. Buffett, now age 91, remains bullish on Berkshire stock and with the U.S. economic system in general. Buffett's actions also teach a lesson in patience since the investment legend's firm made no major acquisitions in 2021, but he did actively repurchase his own firm's shares. His soothing words amidst a jittery market remind us of the value of having an optimistic, long-term outlook.

The turn of the calendar from February to March this week always sets off a new round of key economic reports. The Institute for Supply Chain Management (ISM) will release its forward-looking Manufacturing index on Tuesday, followed by its Services Index on Thursday. Both are expected to point to continued economic growth. The unemployment report will be released on Friday and is always of great interest to market participants and policy makers. A number of Federal Reserve Governors will be on the speaker circuit this week, headlined by Jay Powell's testimony to the House of Representatives on Wednesday.

Market Scorecard:	2/25/2022	YTD Price Change
Dow Jones Industrial Average	34,058.75	(6.27)%
S&P 500 Index	4,384.65	(8.01)%
NASDAQ Composite	13,694.62	(12.47)%
Russell 1000 Growth Index	2,682.44	(12.77)%
Russell 1000 Value Index	1,601.59	(3.27)%
Russell 2000 Small Cap Index	2,040.93	(9.10)%
MSCI EAFE Index	2,177.75	(6.78)%
US 10 Year Treasury Yield	1.986%	47 basis points
WTI Crude Oil	$91.94	21.86%
Gold $/Oz.	1,890.10	3.26%

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