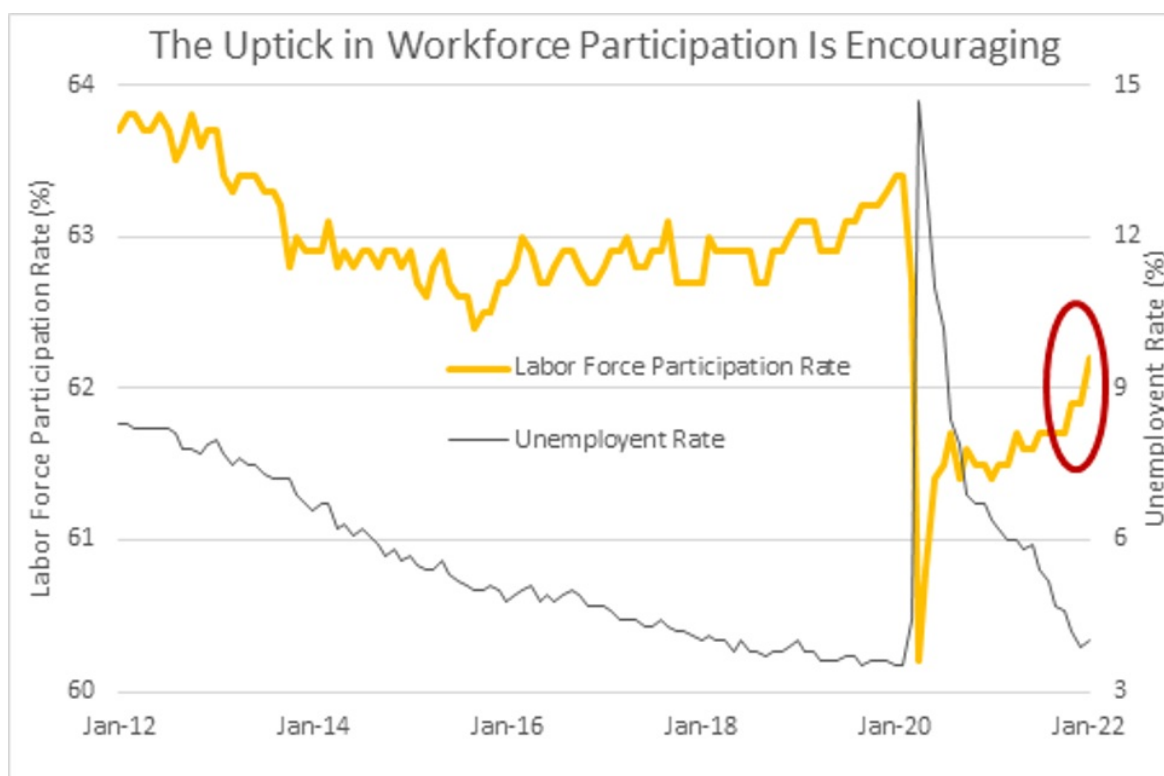


Weekly Market Commentary February 7th, 2022

Two Quick Takes On Jobs And Rate Hikes

Friday's release of the latest monthly employment report injected a dose of good news into the economic front. In January, 467,000 jobs were added, far exceeding expectations. This was particularly encouraging, given the headwinds posed by omicron, and suggests that the underpinnings of the labor market remain healthy enough to weather the disruption from the latest variant and wave of workplace absenteeism. Lingering effects will show up in coming employment readings, but January will likely bear the brunt of the disruption, this is a broadly encouraging sign.

A few additional points from January's report: The leisure and hospitality sector saw a healthy gain in payrolls. Employment in this sector remains notably below pre-pandemic rates, so strength in hiring, especially amid omicron and seasonal impacts, signals ongoing healing. Average hourly earnings rose 5.7% year-on-year, offering further support to the outlook for consumer spending. A combination of higher wages and progressing pandemic conditions are factors for this growth. Revisions to the household employment measure this month show that total employment is now 1.7 million below the pre-pandemic number. There's more work to do (pardon the pun), but the overall takeaway is that labor-market conditions remain on a path of improvement.



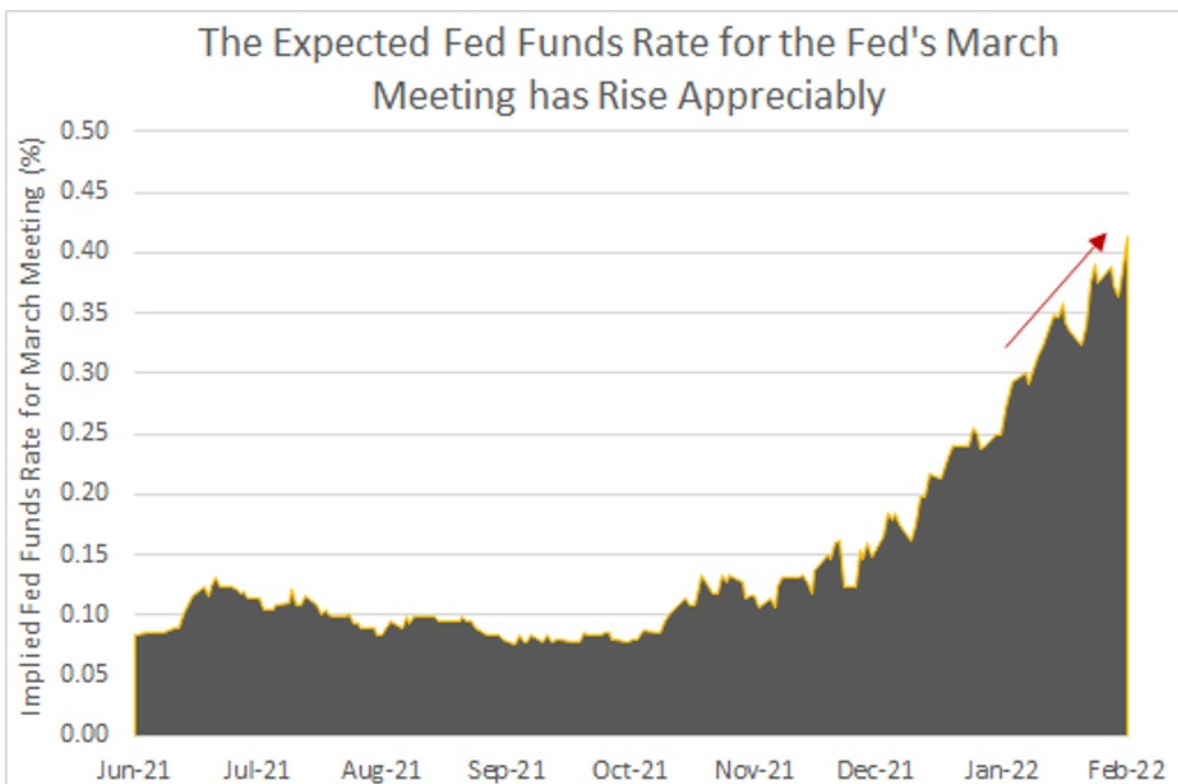
This chart shows a recent uptick in the participation rate as workers have returned to the labor market after the pandemic era lows.

While concerns over the economic expansion have risen recently, it's hard to see how this bull market comes to an end this year if the economy keeps growing. And it is doubtful the economy will fall into recession if the labor market remains healthy. The first quarter of 2022 could see a flat or even slightly negative GDP reading given temporary virus and supply-chain disruptions, but we think 2022 will be another year of growth, extending the expansion beyond this year.

The Fed has been and will remain behind the wheel for market sentiment and performance. The first-rate hike in March is now a done deal, and markets are recalibrating to an earlier and potentially more aggressive liftoff in monetary policy. This is not abnormal, though the market is reacting somewhat earlier than previous starts to rate-hike cycles, which we'd attribute to the Fed's more communicative and transparent approach around upcoming policy moves.

Several rate hikes are in the cards for 2022. While a less accommodative Fed will be a headwind for equity-market performance and a tailwind for slightly higher longer-term interest rates, we think the pendulum of expectations has swung firmly into the hawkish territory. The Fed has been intentional in using its recent rhetoric to instill credibility in fighting inflation, but it may not have to be as aggressive in actual policy moves.

Expectations have now shifted to as many as six rate hikes this year. The chart below shows the recent sharp increase in expectations for a March rate hike, and interest-rate futures curves are now implying a 1-in-3 chance that the Fed hikes rates by 50 basis points (0.50%) at the March meeting. The Fed shouldn't be required to be as aggressive as these more hawkish expectations imply, suggesting the potential for markets to find some relief if the pendulum swings back toward a more gradual policy response. All eyes will be on Thursday's inflation report as the market continues to calibrate around the path ahead for rates.



This chart shows that market expectations for a rise in the target interest rate have increased dramatically as the following comments from the Federal Reserve.

The path for inflation this year will write the market narrative. It will remain above comfort levels over the next several months, but underlying forces should drive some moderation in the back half of the year, providing the Fed with some wiggle room. A check on gold prices (flat) and the U.S. dollar (up) over the last six months don't tell the story of a market overly worried about runaway inflation.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	35,090	1.05%
S&P 500 Index	4,501	1.58%
NASDAQ	14,098	2.38%
MSCI EAFE	2,262	2.68%
10-yr Treasury Yield	1.92%	7.87%
Gold	\$1,808	1.01%
Bonds	\$110.55	-1.13%

Source: Reuters/Wall Street Journal

How To Do Spring Break On A Budget

For legions of parents and kids across the United States, spring break represents a well-deserved week of vacation that splits up the second half of the school year. It's a great time for families to reconnect and refresh from the frantic schedules that they run every week at home. Spring break can end up costing a family budget quite a hefty punch if isn't planned out well. The closer you get to spring break, the more expensive the airfare, hotels, and entertainment can cost your bottom line. Here are five smart money moves to help you enjoy spring break on a budget.

1) Use some of those 'rainy day' point programs- Spring break season is not usually a blackout period for hotel or airline point programs. You might think you will save these up for a bigger trip in the future, but the truth is these points lose value year to year if you don't use them (think inflation alone). You might cash some of these points in for airfare, hotel, rent-a-car, or even for tickets to a theme park.

2) Stop at the grocery store before the hotel- You can be 100% certain that once you get to a destination property or a fancy hotel, the gift shop will be good for 300% markup on anything from a small bag of potato chips to a tube of Advil. Pick up some breakfast bars, basic treats, and items such as aspirin to help you cut down on little expenses that can add up over the course of a trip. If you can get a hotel room with a mini-fridge or a small microwave that really helps your cause financially over the course of a week by even bringing in some juice boxes or soda cans rather than ordering room service.

3) Compare The Club Level To The Regular Price- We all have different types of budgets for planning out our family's Spring Breaks. If you are going to venture to a nice hotel, consider asking the difference in cost of the 'club level' versus a regular floor in the hotel. It's best to find a hotel that offers complimentary breakfast and even free snacks in the afternoon, but if they don't the club level could be a potential alternative. If the difference in cost is \$60 a day, for example, the club level might offer you free breakfast, snacks all day, drinks all day, and even an appetizer/light snacks in the evening. If your vacation isn't built around eating out, this could fulfill all of your food requirements for the day (we've done it before).

4) Pack The Sunscreen- If you plan accordingly, one smart trip to CVS or Walgreens could save you a boatload of money. Buying sunscreen, goggles, swimwear, or even sunglasses can cost you a small fortune on a vacation. Make sure you take the kids for one small road trip to the local drugstore, and this can result in big savings for you as well over the course of a trip.

5) Plan At The Last Minute- If you are willing to travel regionally (sometimes nationally) and wait until the last minute you could snag yourself a deal on one of the major travel sites. Remember, if the hotel isn't filled, they aren't making any money.

Earnings Highlights This Week

(source: CNBC)

UPS: United Parcel Service posted record quarterly earnings on Tuesday and forecast 2022 revenue above expectations, driven by higher shipping rates and e-commerce demand. It also expects adjusted operating margins of 13.7% in 2022, above 2021 levels, despite rising labor and fuel costs roiling the industry. The company also hiked its quarterly dividend by 49% to \$1.52 per share.

Starbucks: Starbucks earnings fell short of Wall Street's expectations, but the company's quarterly revenue topped estimates. The company saw higher-than-expected costs throughout its supply chain, and a resurgence of Covid-19 meant paying more employees' sick leave. China's same-store sales fell 14% in the quarter as the country reimposed travel restrictions on some areas.

Alphabet: Alphabet beat on the top and bottom lines for the fourth quarter. The stock jumped in extended trading after the report. The company also announced a 20-for-1 stock split.

Qualcomm: Qualcomm reported first-quarter earnings Wednesday after the bell. Qualcomm's chip business grew 35% driven by handset chip sales.

Facebook: Facebook earnings came in below expectations for the fourth quarter, and the company said numerous challenges are ahead in the first quarter. Inflation, supply chain disruptions at advertisers, and users shifting to products that "monetize at lower rates" are among the key issues the company faces. Revenue in the first quarter will be between \$27 billion and \$29 billion, while analysts were looking for that number to top \$30 billion.

News and Notes:

Is bickering good for a marriage?

- Haven't you ever told your partner...if you don't believe me why don't you just Google it up!! I know I'm right!!
- The word bicker comes from the Middle Dutch and today it means to argue over trivial and petty matters. It's a skirmish.

- It can be good for a marriage because it can help you understand each other better, your pet peeves, and your overall thinking about money. However, it can be bad if the bickering becomes a series of personal attacks like telling your partner or spouse that they are cheap every week.

Can bickering help you with making money decisions as a family?

- You may bicker over a money decision such as “private school or public school” – even if it isn’t always the most effective communication...it’s still communication.
- Bickering can help you stop or start a money behavior- a partner may push you to spend money on yourself when you never do...as an example.
- The key for most couples who bicker is to find a set of common ground financial goals...you’ll bicker less about money.

Speaking of bickering...now you may not be buying your next couch, but you say you might be leasing one going forward?

- Yes. The demand for renting home furnishings is growing appealing to a younger, more mobile customer.
- IKEA has been testing a furniture subscription model for a couple of years.
- Feather says you can get set up in a basic studio for \$105 a month or a 1-bedroom apartment for \$150 a month. They offer rent to buy models as well. (www.livefeather.com)

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