Weekly Market Commentary
February 28th, 2022

How Will The Markets Hold Up In This Geopolitical Crisis?

Still-Favorable Fundamentals Suggest Setback Is Temporary

The stock market has a long history of being able to look through geopolitical uncertainties, especially when the broader economy is on solid footing. While confidence gets shaken in the short term when these outside shocks happen, markets tend to gravitate toward the more sustainable drivers of returns, such as economic and earnings growth. This is why remaining confident in the current state of the economy is critical in assessing whether the market correction (10%-20% decline from the peak) will prove to be just that, or progress toward a bear market (>20% decline from the peak).

Stock Market Performance

Stock Market Performance During And After Unexpected Geopolitical Events

Event	Date	1 Day	3 months	1 year
Saudi oil pipeline drone attack	9/14/2019	0.0%	5.4%	12.5%
Russian annexation of Crimea	2/20/2014	0.6%	2.4%	15.4%
Boston Marathon bombing	4/15/2013	-2.3%	5.9%	16.0%
Iraq invades Kuwait	8/2/1990	-1.1%	-12.3%	8.9%
Kennedy Assassination	11/22/1963	-2.8%	8.4%	20.5%
Cuban Missile Crisis	10/16/1962	-0.3%	12.9%	27.4%

Source: Bloomberg, Morningstar Direct, S&P 500 total returns. Past performance does not guarantee future results. Market indexes are unmanaged and cannot be invested into directly.

The economy can grow at an above-trend pace, leading to another year of positive but more muted corporate earnings growth.

The reasons:

- Pandemic-related headwinds are easing
- Accumulated savings and strong wage increases can support above-average consumer spending
- The labor market is strong and job openings are plentiful
- The banking sector is sound and there is no overhang in business investment. Therefore, the base-case scenario calls for a continuation of the bull market,

with elevated volatility as markets adjust to higher interest rates.

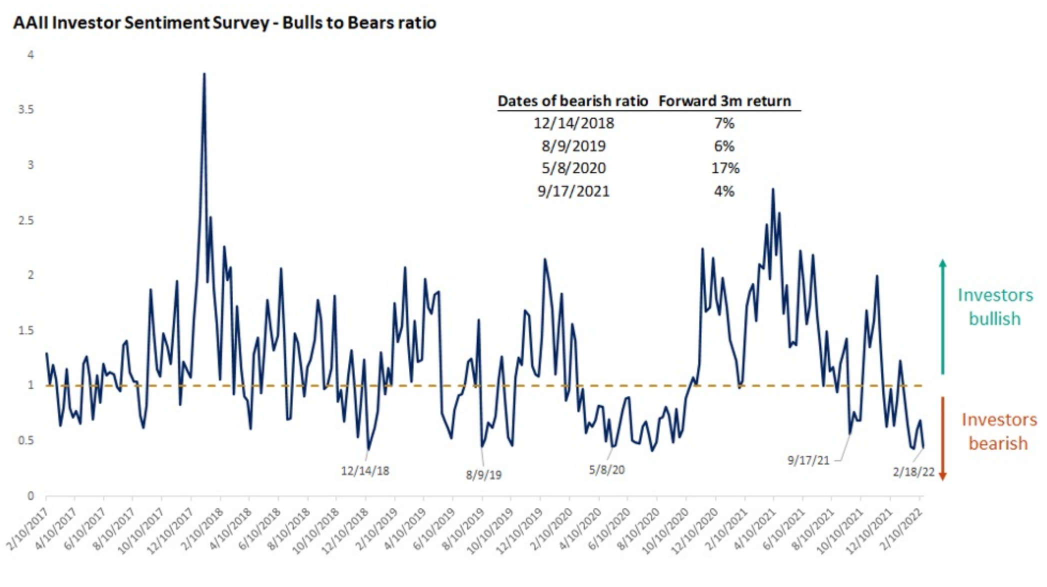
Watching For Red Flags

Despite that the U.S. economy remains in the midcycle phase of its expansion, we are closely monitoring timely indicators that could signal the transition to late-cycle. None of those are flashing red at the moment, but several are experiencing worsening trends consistent with a midcycle slowdown.

Yield curve: The spread between longer-term and shorter-term rates has a strong track record of signaling economic weakness. While the 10-year and two-year curves have flattened, it is not inverted, which would be a red flag. An inverted yield curve indicates an environment in which higher short-term rates reflect tightening monetary policy and lower longer-term rates signal potentially weaker expectations for growth.

Credit spreads: The extra premium over safer government bonds is a good barometer of economic health and, at times, is a leading indicator of equity prices. Last week, spreads for high-yield bonds widened to a 15-month high but remain significantly lower than past periods of financial stress.

Investor sentiment: Complacency and overly optimistic sentiment tend to be characteristics of the late-cycle phase. The AAII investor sentiment survey, which offers insight into the mood of individual investors, is often a contrarian indicator. Currently, investors appear overly pessimistic, which historically has translated into above-average three-month returns.

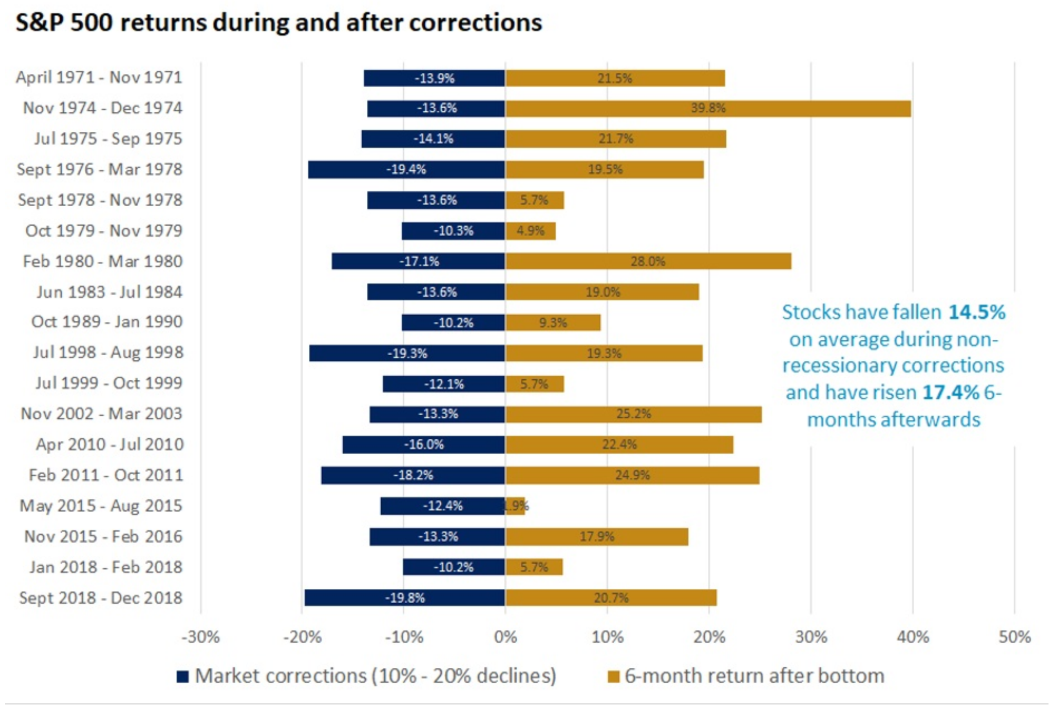


Source: Bloomberg, Edward Jones.

The graph shows the bulls-to-bears ratio of the AAII investor sentiment survey which often is a contrarian indicator at extremes.

Navigating Market Corrections

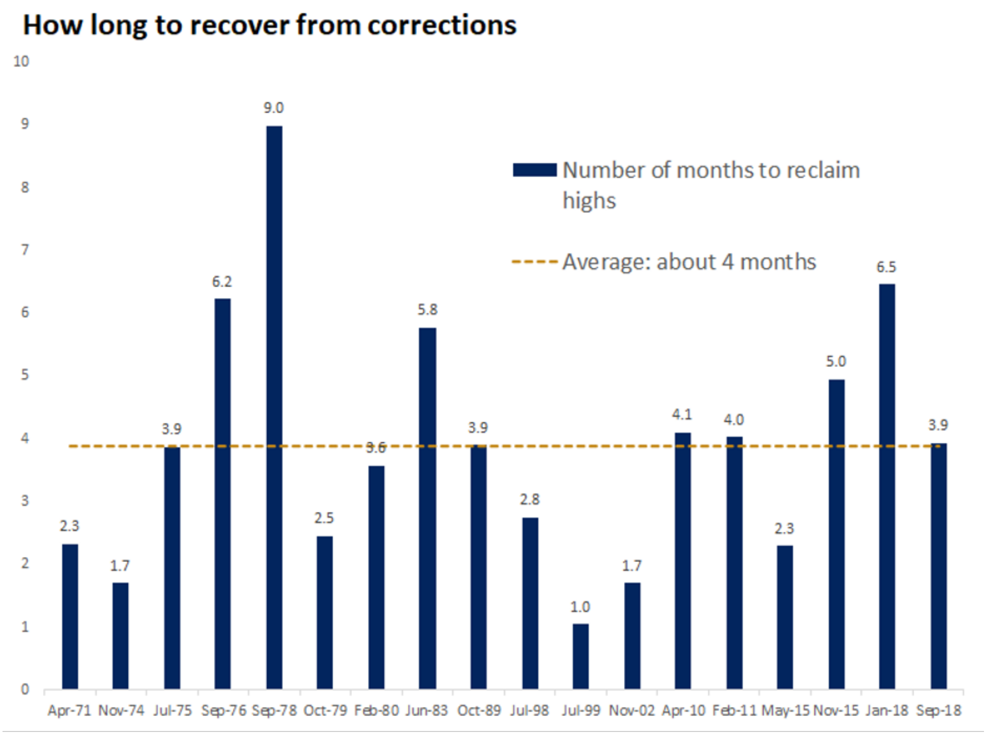
Corrections like the one equity markets are experiencing this year are uncomfortable, yet common. Since 1971 there have been 18 corrections without a recession, with an average decline of 14.5% from peak to bottom over an average of 4.3 months. Historically, these sizable market pullbacks that took place within the confines of a bull market have been good times to add equities, with stocks rising 17% six months after and 23% a year later.



Source: Morningstar Direct, Edward Jones. Past performance does not guarantee future results. Market indexes are unmanaged and cannot be invested directly.

The graph shows S&P 500 corrections without a recession since 1971. Stocks have fallen 14.5% on average and have risen 17.4% six months afterward.

The trigger for past corrections has varied, ranging from tight fed policy, economic disappointments, geopolitical uncertainties, the recalibration of lofty expectations, or a combination of these. Yet the S&P 500 has been able to recoup its losses in about four months from the time stocks bottomed. The deeper the pullback, the longer it has generally taken for the market to recoup its losses.



Source: Morningstar Direct, Edward Jones. Past performance does not guarantee future results. Market indexes are unmanaged and cannot be invested directly.

(Source: oXYGen & Jones)

Markets For The Week

INDEX	CLOSE	WEEK
Dow Jones Industrial Average	34,059	-.1%
S&P 500 Index	4,385	.8%
NASDAQ	13,695	1.08%
MSCI EAFE	2,108	-5.7%
10-yr Treasury Yield	1.97%	0%
Gold	$1,897	-.15%
Bonds	$109.57	-.30%

Source: Reuters/Wall Street Journal

What To Do If You Win The Lottery?

Make sure to sign your ticket - The last thing in the world you want to do is to lose or misplace the winning ticket. You should sign the back of the ticket and then make a couple of copies that you can store in a safe place. This is the ticket you will need to bring forward to claim your prize.

Don't start a parade - This is the one time in your life where you need to keep a secret an actual 'secret'. Once you come forward or it leaks out that you have the winning ticket, you will completely lose any level of anonymity that you may have. You typically have a grace period of time to come forward with the ticket, so if you don't show up to claim your prize tomorrow or next week, they won't take the prize away from you. If you open your front door and say, "I just won $548,000,000!" then plan to have every person who was never really your friend knock on your door asking for a handout.

Get your team in place - You may not want to collect the prize in your own name, but instead think about setting up something like a revocable living trust and then having that entity claim the prize. There are many reasons to do this, but most importantly you want to think about how to manage your privacy. Make sure you have a quality financial advisor, CPA, and attorney who can work in concert to plan thoughtfully around your entire situation, goals, and future.

Tax now or tax along the way - One of the big decisions will be whether you should take the lump sum and pay all of the taxes now or you should take installments over the next 20 years. This is a challenging decision because either way, you'll be in the largest tax bracket, but you have to consider the time value of money, your own controls over spending money, and your overall goals as a whole. This is a crucial time to build a high-quality financial plan, your overall estate plan, and your beneficiary designations should something happen to you. One other consideration is thinking about the state that you live in certain states including Florida, Tennessee, and Texas have no state taxes, but if you live in California, you could lose more than 10% of your winnings to state taxes.

Don't follow past history of winners gone bad - Money is a powerful thing, but it won't buy you happiness. There have been many sad stories in the past about winners who instantaneously became millionaires and within a short period of time blew their whole fortune. Be wary of relatives or friends who come out of the woodwork asking for money who have not spoken to you in years. Most of all, do not invest in any type of private investment for at least a year. You will have people that pitch you on opening up restaurants, investing in movie deals, and technology that is sure to change the world. This is one of those times it may actually be able to sit tight on cash for a year until you really make a plan.

Take a deep breath, relax, and continue on with life - With the odds being 1 in 300,000,000 of winning, this truly is something that will happen once in a lifetime. The worst thing in the world to do is to completely change your routine and who you are as a person. Think about the things you do that make you happy. Consider the charities that you have always wanted to help. Perhaps even think about just one purchase of something you always wanted. Most of all, relax and breathe because this is a special moment.

Earnings Highlights This Week

Moderna: Moderna beat on its top and bottom lines, reporting earnings per share of $11.29 and revenue of $7.2 billion. The company raised its 2022 guidance for Covid vaccine sales by $2 billion. CEO Stephane Bancel told CNBC the world may be moving out of the pandemic and into an endemic phase as the omicron wave subsides in the U.S. and around the world. Chief Medical Officer Paul Burton said a booster that targets both omicron and delta will be needed.

Coinbase: Coinbase reported fourth-quarter earnings after the bell on Thursday. The earnings come after major cryptocurrencies saw a weak month in December, despite an overall explosion in value in 2021. Coinbase warned shareholders during the previous quarter that its stock should be considered a long-term investment because its business is “volatile.”

Etsy: Shares of Etsy soared as much as 18% in extended trading on Thursday.
The company reported fourth-quarter results that topped estimates on the top and the bottom line. However, Etsy gave weak guidance for the first quarter, blaming it on tough comparisons with the year-earlier period when the digital retailer had a pandemic-related boost in online orders.

Foot Locker: Foot Locker projects revenue to drop in 2022 as it anticipates it will no longer be able to sell as many products as possible from its top vendor, Nike. The adjustments reflect the accelerated shift by Nike to sell more of its sneakers and apparel directly to consumers, Foot Locker said. Foot Locker also said this year it will be lapping a period where consumers had extra stimulus dollars in their pockets to spend.

Beyond Meat: Beyond Meat’s stock tumbled after the company reported a wider-than-expected loss and shrinking revenue in its fourth quarter. CEO Ethan Brown said in a statement that the company expects to “substantially moderate” the growth of its operating expenses in 2022. The company’s revenue outlook for 2022 also fell short of Wall Street’s expectations.

News and Notes:

Why Are We Starting More People Doing Revenge Travel?

What is revenge travel and why is this happening now?

- Americans are tired of being cooped up and like Twisted Sister used to say, “We’re not gonna take it” …anymore.
- Revenge travel is essentially when people rush to book trips and vacations to make up for lost time and lost opportunity.
- As this next wave of COVID (Omicron) is calming down, people want to take advantage of the window to splurge on flights, hotels, and amusement parks.

So, where is everyone going while this window is open?

- They are splurging on Disney vacations, private tours of Hawaii, and European cruises.
- Lots of families are doing multi-generation getaways- chipping in their money and renting exclusive high-end homes.
- People are also traveling to see one-time experiences like concerts (Paul McCartney) and sporting events.

How long do you think this revenge travel will continue?

- Whether revenge travel remains high long-term could depend on the course of the pandemic- will the new BA.2 variant hit us?
- It will continue for the next 6 to 12 months because people are reevaluating the importance of travel in their lives- it is no longer a want…but now a need.
- With inflation, people are more aggressively using their frequent flyer points- they are losing value by the day.

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