

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.

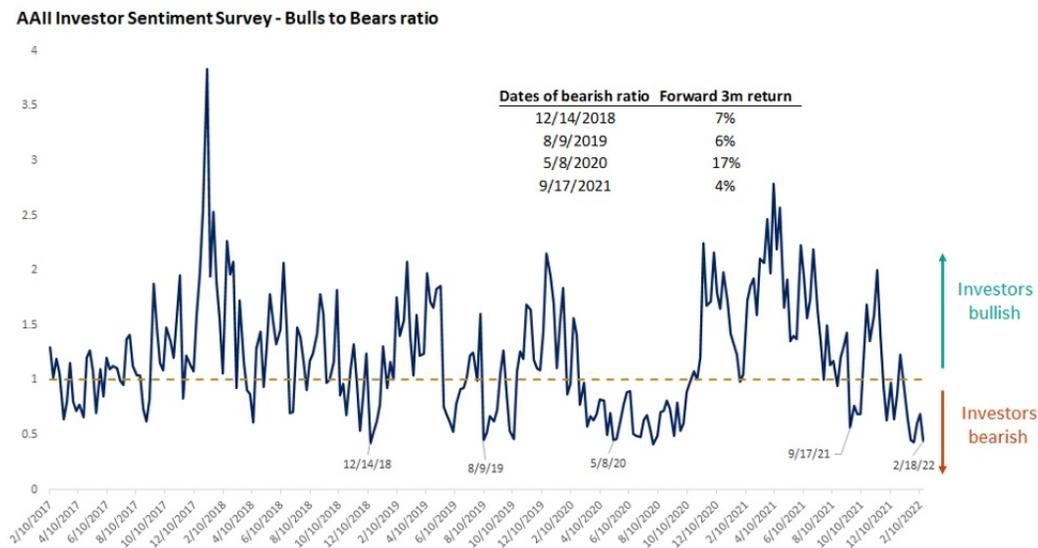
Watching For Red Flags

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 AAll 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 AAll 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.

S&P 500 returns during and after corrections

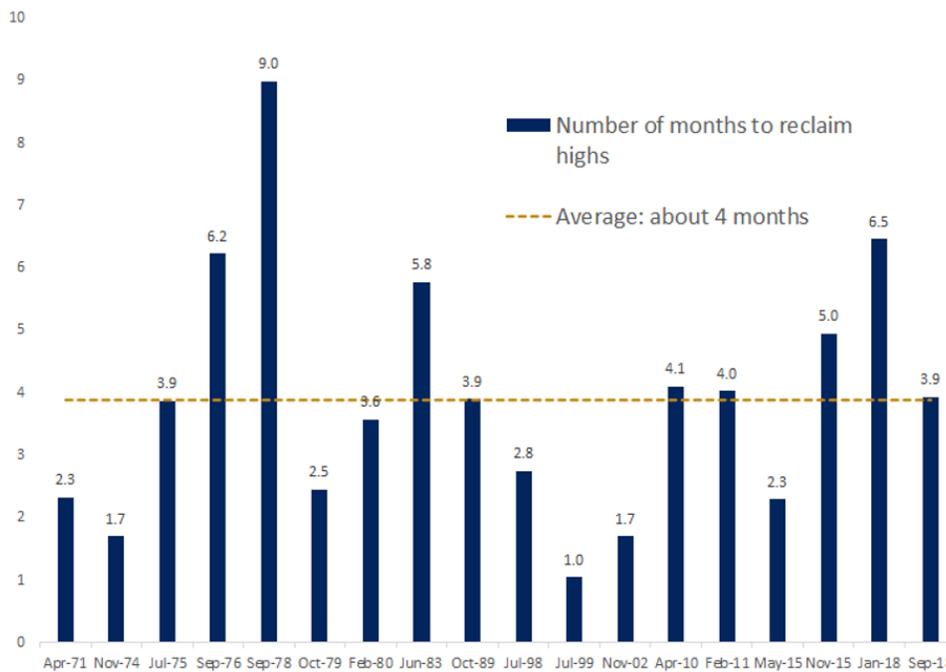


Source: Morningstar Direct, Edward Jones. Past performance does not guarantee future results. Market indexes are unmanaged and cannot be invested directly.

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.

How long to recover from corrections



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

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.

From the team at J M Brown Financial Partners

www.perfectcalendar.com

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to our distribution list, please reply to this email with their email address and we will ask for their permission to be added.

Securities offered as Registered Representatives through Purshe Kaplan Sterling Investments, Member FINRA/SIPC Purshe Kaplan Sterling Investments and J M Brown Financial Partners are not affiliated companies 80 State Street, Albany, NY 12207 Tele (800) 801-6851

Investments through PKS or RIA are: NOT FDIC INSURED/NOT BANK GUARANTEED MAY LOSE VALUE, INCLUDING LOSS OF PRINCIPAL NOT INSURED BY ANY STATE OR FEDERAL AGENCY

These views are those of Hyperchat Social, and not the presenting Representative or the Representative's Broker/Dealer and should not be construed as investment advice. This newsletter was prepared by Hyperchat Social. Hyperchat Social is not affiliated with the named firm or broker/dealer. Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate. Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features. The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index. All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

You cannot invest directly in an index. The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index. The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market. The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998. The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets. Yahoo! Finance is the source for any reference to the performance of an index between two specific periods. The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Past performance does not guarantee future results. Investing involves risk, including loss of principal. The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete. There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk. Asset allocation does not ensure a profit or protect against a loss. Consult your financial professional before making any investment decision. To unsubscribe from our Weekly Market Commentary hit the unsubscribe button.