ELSER FINANCIAL PLANNING, INC.

1st Quarter 2022 Investment Newsletter

Global Events and Inflation

◊ As the team at EFP acknowledges the tragic nature of the humanitarian crisis in Ukraine, we continue to monitor the economic and social impacts of Russia's actions. Historically, major geopolitical events like invasions often have a dramatic, but temporary, effect on markets. Currently, the greatest impact to the U.S. economy stemming from Russia's war on Ukraine is seen in inflation, as gas and food prices have risen quickly throughout March.

◊ On March 16th, the Federal Reserve increased interest rates by 0.25%, the first increase since 2018. Fed Chairman Jerome Powell indicated that future rate hikes could be larger or more frequent as needed to curb inflation. A number of economists expect inflation to continue to rise for the first half of 2022 before decelerating.

◊ Just six months ago, the market anticipated one interest rate increase this year. At the beginning of this year, that expectation had risen to three rate hikes. Today, the market is pricing in a little more than six rate hikes in 2022.

Economic and Market Overview

◊ The S&P 500 entered 2022 at an all-time high, but saw a correction shortly after, as the index fell nearly 12% by late February. International and value stocks helped to cushion against the early-year market declines, highlighting the benefit of international diversification regardless of global uncertainty.

◊ The U.S. stock market declined 5.28% in the 1st quarter, as measured by the Russell 3000 Index. The Russell 3000 Growth index declined 9.25% in the first quarter of 2022. In stark contrast, the Russell 3000 Value index declined only 0.85%.

◊ According to the Bureau of Labor Statistics, 431,000 jobs were created in March. The unemployment rate is gradually returning to pre-pandemic levels and currently rests at 3.6%, which is well below the historical average of 5.8%. Consumer spending increased 2.1% in January, indicating continued strength in the economy.

◊ To reduce the impact of rising interest rates on bond prices, we continue to maintain short-term bond holdings, which are less sensitive to interest rate changes and benefit from higher yields more quickly than intermediate and long-term bonds. We continue to evaluate diversification strategies and bond opportunities both here and abroad.

Market Index Returns	1st Quarter
S&P 500 (Large Cap)	-4.6%
Russell 2000 (Small Cap)	-7.5%
MSCI International Index	-4.7%
MSCI Emerging Markets	-6.9%
U.S. REIT Index (Commercial Real Estate)	-3.7%
Bloomberg Commodity Index	25.5%
BofA 1-3 yr Corporate & Government Bond Index	-2.6%

We sincerely appreciate your business and referrals.

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