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The Russian invasion of Ukraine remains in focus. The 2/10 spread on Treasuries is causing recession concerns. The CPI report is coming this week.

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The Hot List

↑ HOT

1. Geopolitics

The Russian invasion of Ukraine remains the top focus. **Here (https://www.nytimes.com/live/2022/03/05/world/russia-ukraine)** is a link to the latest news.

2. Interest Rates

The spread between the 2-yr and 10-yr Treasuries is .25, the lowest since 2007.

3. Federal Reserve

At Powell's testimony to the House Financial Services Committee he **stated (file:///G:\Shared%20drives\Workspace%20Solutions%20-%20Internal\Content%20-%20DW\2022-03\2022-03-07-hotsheet\.%20https:\www.barrons.com\articles\inflation-recession-war-what-to-watch-as-feds-powell-testifies-to-congress-51646194452)** that he supports a .25% rate hike at the upcoming meeting. **(https://www.investors.com/news/economy/federal-reserve-meeting-wall-street-expects-yield-curve-control/)**

4. Inflation

The February CPI report will be released on Wednesday.

5. Earnings

The February jobs report came in much stronger than expected adding 678K jobs vs 400K expected.

Last Week

Monday: S&P 500 -10.83 (-0.25%) to 4373.79. Ukraine and Russia hold talks. PMI missed expectations.

Tuesday: S&P 500 -67.53 (-1.54%) to 4306.26. ISM manufacturing index slightly beat estimates. Oil back over $100. Russian convoy prepares to take Kyiv.

Wednesday: S&P 500 +80.28 (+1.86%) to 4386.54. Powell spoke to House Financial Services committee. ADP report beat expectations (475K vs 350K estimate).

Thursday: S&P 500 -23.05 (-0.53%) to 4363.49. Weekly initial jobless claims fell to 2-month low.

Friday: S&P 500 -34.62 (-0.79%) to 4328.87. The February jobs report came in much higher than expected (678K vs 400K).

Technical Look

Potential Support: The index bounced into the 4300 – 4400 range last week, where 4300 has been key support. If it breaks that level, look for support near 4220.

Potential Resistance: Look for resistance at the top end of this range at 4400. If the index breaks that level, expect some resistance at the 200-day moving average around 4450.

My Watchlist

Defensive

Luxury

Energy

Yield

Military

My Take

For all the choppiness, the S&P closed the week at the same level it started. Every day, it seems there is a new headline that make folks want to jump in or jump out of the market – lately a lot more are jumping out. The volatility can be very nerve-wracking and the “fight or flight” feelings it can trigger are real. When prices are getting crushed, it feels good to sell and when they are going up it, feels good to buy. However, historically this has not been a good strategy. I often reference Warren Buffett’s famous quote, “be fearful when others are greedy, and greedy when others are fearful” in times like these.

Today, the reasons to be fearful are in abundance, and frankly we’re in the eye of a three-part storm with the (1) Russian / Ukraine conflict, (2) inflation, and (3) the economic recovery. And recently, the yield curve has begun to flatten – where inverting is a possibility, leading to increased recession fears. This is my real concern now as these circumstances will make the Fed’s job even trickier. However, I personally can’t see how a recession is likely, considering the strength of the GDP numbers and jobs market. Plus, international travel is re-opening and COVID-19 restrictions are going away.

Before the Russian invasion, the 10-year bond was over 2% and the S&P was looking to break out. Now the 10-year is back to 1.7% and the S&P is back near the lows. That tells me that this recent selloff is due to the Russian invasion and spillover effects like high energy costs. If this can somehow be resolved without further escalation, then I don’t see why the markets wouldn’t have a sharp bounce back – building to new highs by year end. Of course, that’s a big IF and it’s the main source of market uncertainty.

For those reasons, you probably want to stick to your current plan assuming you’ve positioned yourself for the current uncertainty. Conservative investors will want to remain defensive and wait for at least a hint of resolution to this conflict. If you have a longer time horizon, this volatility is giving you an opportunity to upgrade the quality of your portfolio or a chance to add to your favorite beaten down growth names.

If you need help evaluating your investment strategy or would like me to manage your money, please contact **DreamWork Financial Group today. (https://dreamwork.financial/contact/)**

Until next time,

Clint Kirby

Chief Financial Strategist

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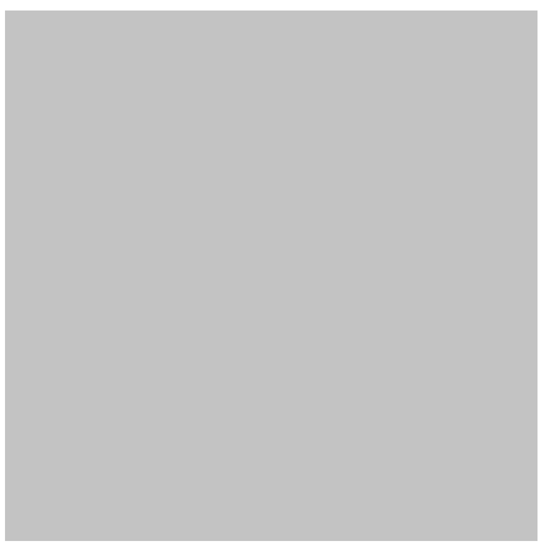

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