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INCORPORATED

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Market Week: March 14, 2022

The Markets (as of market close March 11, 2022)

Each of the benchmark indexes listed here closed lower for the second straight week. The war in Ukraine continued, with Ukraine's top diplomat indicating he saw no progress in talks with Russia. Inflation continued to run hot ahead of this week's Federal Reserve meeting. During the week, markets oscillated between panic selling and dip buying. And the volatility wasn't restricted to stocks — crude oil prices and bond yields also swung higher and lower. By the end of the week, the Nasdaq, the S&P 500, and the Dow fell the furthest. Crude oil prices dipped about \$5.00 per barrel. Gold prices rose nearly 1.0%. The dollar inched higher, while 10-year Treasury yields added 28 basis points.

Wall Street opened last week lower. Each of the benchmark indexes listed here fell by at least 2.0%, with the Nasdaq (-3.6%) and the S&P 500 (-3.0%) dropping the most. The Russell 2000 lost 2.5%, the Dow slipped 2.4%, and the Global Dow slid 2.1%. Ten-year Treasury yields rose nearly 3 basis points to 1.75%. The dollar was mixed. Gold prices continued to climb, closing the day up 1.7% to \$2,004.30 per ounce. Crude oil prices rose to \$121.41 per barrel. The national average price for regular gasoline topped \$4.00 a gallon for the first time in over a decade and only \$0.11 lower than the record high on July 17, 2008. Rising gasoline prices at the pump are a reflection of the pressure that the Russia-Ukraine crisis has put on the global oil markets.

Other than the Russell 2000 (0.60%), the benchmark indexes listed here closed lower last Tuesday as investors weighed the impact of the U.S. ban on imports of Russian oil and energy. The S&P 500 dipped 0.7%, while the Dow fell 0.6%. The Nasdaq and the Global Dow lost 0.3%. Ten-year Treasury yields rose 12 basis points to 1.87%. The dollar slid lower, while crude oil prices advanced to \$124.87 per barrel. Gold prices jumped 3.1% to \$2,058.20 per ounce. Not surprisingly, energy was the only sector to gain ground, as consumer staples and health care dropped more than 2.0%. While about 8.0% of U.S. total petroleum imports come from Russia, European countries rely more heavily on Russian crude oil and natural gas for energy. The embargo on Russian energy and crude oil raises several issues, including finding alternative sources to replace the Russian supply, the impact of the embargo on global trade flows, supply chain disruptions, and inflation.

Last Wednesday, in a turn of events, stock prices surged to their biggest rally since June 2020, while European shares advanced the most since March 2020. Crude oil prices dropped nearly 11.0% to \$110.32 per barrel, while 10-year Treasury yields added more than 7 basis points to close at 1.94%. The dollar and gold prices declined. The latest rally may be temporary, driven by dip buyers and bargain hunters.

Wall Street dipped lower last Thursday as investors reacted to inflation reaching a 40-year high and a lack of progress in talks between Russia and Ukraine as the war raged on. Each of the benchmark indexes listed here finished in the red, with the Nasdaq falling 1.0%. The S&P 500 lost 0.4%, followed by the Dow (-0.3%), the Russell 2000 (-0.2%), and the Global Dow (-0.2%). Ten-year Treasury prices slid, driving yields up 6 basis points to 2.01%. The dollar and gold prices rose, while crude oil prices decreased 2.3% to \$106.21 per barrel. Despite the drop in crude oil prices, the energy sector advanced more than 3.0%.

Stocks continued to slide last Friday as Russia expanded its attack on Ukraine. President Joe Biden called for removal of normal trade relations with Russia, likely the precursor for new tariffs on Russian imports. A drop in tech shares pulled the Nasdaq down 2.2%. The small caps of the Russell 2000 fell 1.6%. The large caps of the S&P 500 (-1.3%) and the Dow (-0.7%) closed in the red. The Global Dow declined 0.4%. Crude



MARKET WEEK



Key Dates/Data Releases

3/15: Producer Price Index

3/16: Retail sales, import and export prices, FOMC statement

3/17: Housing starts, industrial production

3/18: Existing home sales

oil prices rose over 3.0% to \$109.40 per barrel. Ten-year Treasury yields dipped minimally, while the dollar advanced for a second consecutive day.

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 3/11	Weekly Change	YTD Change
DJIA	36,338.30	33,614.80	32,944.19	-1.99%	-9.34%
Nasdaq	15,644.97	13,313.44	12,843.81	-3.53%	-17.90%
S&P 500	4,766.18	4,328.87	4,204.31	-2.88%	-11.79%
Russell 2000	2,245.31	2,000.90	1,979.67	-1.06%	-11.83%
Global Dow	4,137.63	3,908.44	3,872.14	-0.93%	-6.42%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	1.51%	1.72%	2.00%	28 bps	49 bps
US Dollar-DXY	95.64	98.52	99.09	0.58%	3.61%
Crude Oil-CL=F	\$75.44	\$115.37	\$109.40	-5.17%	45.02%
Gold-GC=F	\$1,830.30	\$1,971.50	\$1,988.00	0.84%	8.62%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Inflationary pressures continued to advance in February. The Consumer Price Index rose 0.8% last month after increasing 0.6% in January. A 6.6% increase in gasoline prices accounted for nearly a third of the overall CPI February advance. Of note, food rose 1.0% in February, while food at home prices jumped 1.4% — both were the largest monthly increases since April 2020. The CPI has increased 7.9% since February 2021, the largest 12-month advance since the period ended January 1982. Since February 2021, the CPI less food and energy rose 6.4%, the largest 12-month change since the period ended August 1982. The energy index has risen 25.6% over the last year, and the food index increased 7.9%, the largest 12-month increase since the period ended July 1981.
- The report on international trade in goods and services, out March 8, was for January and revealed that the trade deficit rose 9.4%, or \$7.7 billion, to \$89.7 billion. Exports fell 1.7% to \$224.4 billion, which was more than offset by a 1.2% increase in imports (\$314.1 billion). Year over year, the goods and services deficit increased \$24.6 billion, or 37.7%, from January 2021. Exports increased \$29.9 billion, or 15.4%. Imports increased \$54.4 billion, or 21.0%.
- According to the latest report from the United States Treasury, the government deficit for February was \$216.6 billion, well above the January surplus of \$118.7 billion. In February, government expenditures rose 46.0% to \$506.5 billion. Government receipts fell 38.0% to \$289.9 billion. Through the first five months of the fiscal year, the total deficit was \$475.6 billion, significantly lower than the \$1,046.7 trillion deficit over the same period in the previous fiscal year.
- There were 11.3 million job openings in January, little changed from the previous month's total, according to the latest information from the Bureau of Labor Statistics. Job openings declined in several industries, with the largest decreases in accommodation and food services (-288,000); transportation, warehousing, and utilities (-132,000); and federal government (-60,000). Job openings increased in other services (+136,000) and in durable goods manufacturing (+85,000). Hires and total separations were little changed at 6.5 million and 6.1 million, respectively. Within separations, the number of voluntary quits in January decreased by 151,000 to 4.3 million. The number of layoffs and discharges increased by 129,000 to 1.4 million. Over the 12 months ended January 2022, hires totaled 76.4 million and separations totaled 70.0 million, yielding a net employment gain of 6.4 million.
- The national average retail price for regular gasoline was \$4.102 per gallon on March 4, \$0.494 per gallon more than the prior week's price and \$1.331 higher than a year ago. As of March 7, the East Coast price increased \$0.81 to \$4.97 per gallon; the Gulf Coast price rose \$0.83 to \$4.70 per gallon; the Midwest price increased \$0.68 to \$4.65 per gallon; the West Coast price increased \$0.68 to \$5.39 per gallon; and the Rocky Mountain price increased \$0.57 to \$4.54 per gallon. As of March 7, residential heating oil prices averaged \$4.92 per gallon, more than \$0.87 per gallon above the prior week's price and almost \$2.04 per gallon higher than last year's price at this time. Residential propane prices averaged nearly \$3.00 per gallon, up \$0.11 per gallon above last week's price and \$0.58 per gallon



above last year's price. U.S. crude oil refinery inputs averaged 15.4 million barrels per day during the week ended March 4, which was 21,000 barrels per day less than the previous week's average. Refineries operated at 89.3% of their operable capacity last week. Gasoline production increased last week, averaging 9.6 million barrels per day. On February 24, Russia's invasion of Ukraine contributed to a significant increase in the Brent crude oil price, which rose to \$134.00 per barrel as of March 8.

- For the week ended March 5, there were 227,000 new claims for unemployment insurance, an increase of 11,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended February 26 was 1.1%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended February 26 was 1,494,000, an increase of 25,000 from the previous week's level, which was revised down by 7,000. States and territories with the highest insured unemployment rates for the week ended February 19 were Alaska (2.4%), California (2.4%), Illinois (2.4%), New Jersey (2.4%), Rhode Island (2.4%), Minnesota (2.3%), Massachusetts (2.2%), New York (2.2%), Michigan (1.8%), Montana (1.8%), and Pennsylvania (1.8%). The largest increases in initial claims for the week ended February 26 were in Massachusetts (+3,201), Rhode Island (+1,040), the District of Columbia (+995), Nevada (+689), and Kansas (+587), while the largest decreases were in Michigan (-9,161), California (-5,412), Florida (-2,182), Ohio (-2,098), and Illinois (-1,777).

Eye on the Week Ahead

Some extremely important, potentially market-moving economic information is available this week, beginning with the highly anticipated meeting of the Federal Open Market Committee. A few weeks ago, much of the focus was on escalating inflation likely attributable to labor shortages and backlogs caused by rapidly expanding economic growth. The war in Ukraine has impacted not only inflation, but the global economy as well. How the FOMC responds is up to speculation, although Federal Reserve Chair Jerome Powell has indicated that he would probably favor a 25-basis-point increase to the federal funds rate.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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