MARCH 31, 2022
ECONOMIC UPDATE

LANDMARK WEALTH MANAGEMENT

FINANCIAL MARKET UPDATE

The first quarter ended with both the equity and bond markets in negative territory. The primary drivers for the downturn were high inflation levels, increasing interest rates, and the war by Russia in Ukraine. Emerging Markets had the weakest performance on the equity side, down -7.0% for the quarter. Fixed income – traditionally an anchor during market volatility – was down -5.9%. Notably, this was the worst drop in bonds prices in over 40 years. With investors nervous about inflation, interest rates surged from the beginning of the year, resulting in a decrease in the price of bonds. Increasing interest rates typically result in lower bond prices and a short-term loss. Fortunately, the higher bond yields (and interest earned) will help mitigate these losses over time.

In the near-term, market performance will be driven mainly by (1) the Federal Reserve's policy actions to combat inflation and (2) the war in Ukraine. Although growth is expected to moderate, current domestic recessionary risks remain subdued. The U.S. economy continues to have strong support from consumers and companies, both with healthy balance sheets, high cash balances, and strong demand for goods and services.

Asset Class	Q1 2022
Infrastructure	7.3%
Real Estate	-4.3%
Multisector Bonds	-4.3%
US Large Cap	-4.6%
US Mid Cap	-4.9%
Equity Alternatives	-5.5%
US Small Cap	-5.6%
Developed International	-5.9%
US Core Bonds	-5.9%
Emerging Markets	-7.0%

An index is a hypothetical portfolio of securities representing a particular market or a segment of it used as indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly

INTERST RATES & INFLATION

The Fed began tightening monetary policy at their March meeting. The committee elected to hike interest rates by 0.25% and signaled their intent to begin winding down its balance sheet at their May meeting. However, strong demand, supply-chain issues, and the war in Ukraine created a perfect storm for stubbornly high prices, with inflation reaching a four-decade high. To keep inflation in check, the Fed now expects to raise interest rates six more times this year, with the potential for 0.50% rate hikes on the table. Previously, interest rates were only forecasted to increase three to four times for 2022. This policy change lead to a sharp increase in short-term yield and a coinciding drop in bond prices.

EMPLOYMENT

Job growth was robust in the 1st quarter of 2022, averaging 562,000 new jobs per month. The unemployment rate fell from 3.9% in January to 3.6% by March. The unemployment rate and unemployed individuals are roughly in line with February 2020 pre-pandemic levels. The labor force participation rate remains 1.0% below its February 2020 level.

US ECONOMY

The US economy expanded by 5.7% in 2021 as all sectors rebounded strongly from the COVID-induced contraction seen in 2020. Although some weakness in growth is expected in Q1 2022 due to the Omicron variant, forecasts for full-year growth are projected between 2.5% - 3.0% for 2022 and 2.0 – 2.5% for 2023. Both were revised down slightly since the beginning of the year.

2022 IN FOCUS

- Inflationary pressures will be a primary focus for 2022. Inflation was expected to peak in the 1st quarter as supply chain issues improved. However, the war in Ukraine resulted in further pricing pressures, particularly in food and energy. Fed policy for 2022 will be highly influenced by inflation levels.

- The war in Ukraine and resulting global tension is deeply troubling, and we expect market volatility may remain elevated. Despite this volatility, over time, the markets will follow long-term economic fundamentals, which are generally positive.

- We continue to look for opportunities in this current environment. Where it makes sense, we are recognizing losses in the portfolio to harvest tax write-offs. When appropriate, we are rebalancing to take advantage of lower prices in the equity markets.