

February 2022 recap

U.S. stocks extended a turbulent start to 2022 in February as escalating geopolitical tension in Eastern Europe clouded the economic outlook and provided another tailwind to commodity prices. Worries that the conflict would exacerbate global price pressures further tested risk sentiment, as the Federal Reserve (Fed) underscored their desire to clamp down on inflation following the biggest annual uptick of the Consumer Price Index (CPI) since February 1982 (+7.5%). The major averages were lower for a second straight month—a losing streak not seen since October 2020. The Dow Jones Industrial Average lost 3.5% in February, its worst showing since November. The Nasdaq Composite fell 3.4%, as growth and tech-related shares extended their underperformance. The S&P 500 Index shed 3.1%, but pared a steeper monthly loss that had pushed the benchmark into correction territory (defined as a 10% drop from a recent peak) for the first time since the depths of the pandemic.

Tensions between Russia and Ukraine drove risk appetite for much of February. Increasing Russian military presence along the Ukrainian border and dimming prospects of a diplomatic resolution stirred caution from the White House about an imminent invasion. The warnings materialized when the Kremlin ordered missiles and airstrikes on Ukraine's capital, Kyiv, along with dozens of other cities around the country, marking the biggest attack in Europe since World War II. The consequent sanctions from the U.S. and its allies against Moscow clouded the global economic outlook, as the penalties looked to undermine Russia's financial institutions. The U.S. also implemented export controls to restrict access to semiconductors and other advanced technologies, but stopped short of imposing sanctions directly on Russia's energy sector. Still, worries of supply disruptions pushed oil prices higher, with West Texas Intermediate (WTI) crude and Brent crude (the international benchmark) breaching \$100/barrel for the first time since 2014. Meanwhile, a gauge of agricultural spot prices soared to a record level, as Ukraine is a major grain exporter. Moscow retaliated with countersanctions, while its central bank implemented capital controls and hiked its benchmark lending rate to 20% from 9.5% as its currency slumped to the weakest level on record against the U.S. dollar. Amid the apparent *risk-off* tone, COMEX gold notched its best month since May 2021 (+5.9%) as investors sought perceived safe haven assets.

Fed policy expectations were another source of volatility. Robust domestic economic data, along with a hotter-than-expected inflation reading, raised the probability of a more aggressive path of monetary policy tightening early in the month. While price pressures remained at multi-decade highs, the monthly jobs report indicated a healthy labor market, with non-farm payrolls increasing by a better-than-anticipated 467,000 in January. *Hawkish* remarks from St. Louis Fed President James Bullard rattled both equity and bond markets, as he voiced support for hiking rates by a full percentage point by July, raising prospects for a more sizeable 50-basis point (0.50%) increase during their March meeting. However, heightened geopolitical risks complicated the backdrop for global central banks. While a 25-basis point (0.25%) Fed rate hike in March remained widely expected, the higher-than-normal 50 basis point (0.50%) March rate increase was essentially priced out by month-end. Subsequently, Treasuries endured a volatile February. The yield on the benchmark 10-year note climbed as high as 2.04%, but ended the month up just five basis points (0.05%) to 1.83%. The more Fed-sensitive two-year note yield briefly spiked above 1.60% for the first time since 2019 before settling at 1.43%, still a 25 basis-point (0.25%) jump.

The Energy sector was the lone advancer in the S&P 500 Index. Communication Services lagged the most with **Meta Platforms Inc.** (FB-\$211.03) shedding 32.6% in February (an unprecedented \$297 billion in market value) after issuing soft guidance amid a drop in user engagement. Profit tallies from key retailers provided bright spots, with **Walmart Inc.** (WMT-\$135.16), **Target Corp.** (TGT-\$199.77) and **Lowe's Companies Inc.** (LOW-\$221.06) each topping Wall Street's expectations and providing upbeat outlooks.

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Price and Total Returns

U.S. markets

Index	Close	February Price Return (%)	February Total Return (%)	January Total Return (%)	2022 Total Return (%)*
S&P 500	4373.94	-3.14	-3.00	-5.17	-8.02
Dow Jones Industrial Average	33892.60	-3.53	-3.29	-3.24	-6.43
Nasdaq Composite	13751.40	-3.43	-3.35	-8.96	-12.00
S&P 400 Mid Cap	2661.48	0.99	1.11	-7.21	-6.18
S&P 600 Small Cap	1316.11	1.30	1.40	-7.27	-5.97

U.S. sector performance

Index	Close	February Price Return (%)	February Total Return (%)	January Total Return (%)	2022 Total Return (%)*
Communications Services	232.92	-6.98	-6.98	-6.21	-12.75
Consumer Discretionary	1395.46	-4.06	-3.99	-9.68	-13.28
Consumer Staples	780.49	-1.50	-1.42	-1.37	-2.77
Energy	534.95	6.37	7.14	19.10	27.61
Financials	639.85	-1.49	-1.35	0.06	-1.30
Health Care	1513.20	-1.13	-1.02	-6.76	-7.71
Industrials	842.73	-1.13	-0.87	-4.73	-5.56
Information Technology	2701.15	-5.02	-4.90	-6.89	-11.45
Materials	523.00	-1.43	-1.24	-6.85	-8.00
Real Estate	281.91	-5.09	-5.02	-8.50	-13.09
Utilities	343.50	-2.32	-1.85	-3.27	-5.06

International markets

Index	Close	February Price Return (%)	February Total Return (%)	January Total Return (%)	2022 Total Return (%)*
U.K. FTSE 100	7458.25	-0.08	0.32	1.12	1.45
Germany DAX	14461.02	-6.53	-6.53	-2.60	-8.96
France CAC 40	6658.83	-4.86	-4.86	-2.04	-6.80
Spain IBEX 35	8479.20	-1.55	-1.55	-0.77	-2.31
Italy FTSE MIB	25415.89	-5.21	-5.21	-1.55	-6.68
Greece ATHEX	891.58	-4.82	-4.77	5.02	0.01
MSCI Emerging Market	1171.31	-3.06	-3.01	-1.90	-4.85
Shanghai Composite	3462.31	3.00	3.00	-7.65	-4.88
Japan Nikkei 225	26526.82	-1.76	-1.71	-6.21	-7.82
Hong Kong Hang Seng	22713.02	-4.58	-4.58	1.73	-2.92
Brazil Bovespa	113141.90	0.89	0.89	6.98	7.94
Russia Micex	2470.48	-30.02	-30.02	-6.29	-34.42
India Sensex	56247.28	-3.05	-2.91	-0.38	-3.28

Treasuries

Maturity	February Ask Yields	January Historical Yields	December Historical Yields	November Historical Yields	October Historical Yields
2-Year	1.43	1.18	0.73	0.57	0.50
5-Year	1.72	1.61	1.26	1.16	1.18
10-Year	1.83	1.78	1.51	1.44	1.55
30-Year	2.16	2.11	1.90	1.79	1.93

Municipal bonds

Maturity	Close	February Price Return (%)	January Price Return (%)	December Price Return (%)	2022 Price Return (%)*
S&P Municipal Bond Index	271.86	-0.51	-2.39	0.14	-2.89
S&P Muni Bond Long Intermediate	282.36	-0.46	-2.70	0.14	-3.15
S&P Muni Bond Intermediate	267.58	-0.45	-2.57	0.12	-3.01
S&P Muni Bond Short	178.36	-0.25	-1.06	0.01	-1.31
S&P Muni Bond Investment Grade	267.24	-0.49	-2.37	0.13	-2.85
S&P Muni Bond High Yield	347.99	-0.74	-2.60	0.33	-3.32
S&P Muni Bond General Obligation	260.11	-0.44	-2.45	0.12	-2.87

Commodities

Front Month Futures	Close	February Price Return (%)	January Price Return (%)	December Price Return (%)	2022 Price Return (%)*
CRB Index	269.07	5.47	9.79	6.02	15.79
Oil/bbl	95.72	8.59	17.21	13.64	27.27
Natural Gas	4.40	-9.68	30.67	-18.33	18.02
Gold	1900.70	5.89	-1.84	3.10	3.94
Silver	24.36	8.79	-4.11	2.58	4.32
Copper	444.45	2.77	-3.11	4.34	-0.43
Nickel	24601.00	7.96	9.17	4.33	17.86

Foreign exchange

Currency	Close	February Price Return (%)	January Price Return (%)	December Price Return (%)	2022 Price Return (%)*
Dollar Index	96.71	0.17	0.91	-0.34	1.08
Euro/USD	1.12	-0.14	-1.19	0.28	-1.33
USD/Yen	115.00	-0.10	0.03	1.69	-0.07
GBP/USD	1.34	-0.20	-0.63	1.75	-0.83
USD/CAD	1.27	-0.26	0.56	-1.11	0.30
USD/Krona	9.47	1.60	2.97	0.34	4.62
USD/Swiss Franc	0.92	-1.12	1.57	-0.65	0.43

Source: Bloomberg. *All prices as of the close February 28, 2022. An index is unmanaged and not available for direct investment. Yields represent past performance and fluctuate with market conditions. Current yields may be higher or lower than those quoted above. **Past performance is no guarantee of future results.**

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Additional information available upon request.

Definitions

Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market.

NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

An index is unmanaged and not available for direct investment.

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