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FUSCO FINANCIAL ASSOCIATES

Market Commentary

To Our Valued Clients,

While the humanitarian toll from the war in Ukraine has been felt from the onset, the economic toll is starting to creep into areas across the globe. Here at home, the Fed has kicked off its two-day monetary policy meeting. A key summit on the heels of another high inflation print and Q4 GDP growth data that exceeded expectation. As each of these situations continue to evolve, there is certainly no shortage of information for investor’s to digest.

Russia has continued its barrage on major cities throughout eastern Ukraine. Although there have been recent reports of progress in peace talks between the two countries, major artillery attacks and the advancement of Russian troops have persisted. In an effort to place strain on economic resources, waves of sanctions against Russia have been put in place from over a dozen countries. Notably, President Biden signed an executive order last week banning imports of Russian oil, liquefied natural gas, and coal into the United States. Despite the immediate reaction of the energy markets, Russia is a relatively insignificant contributor to the U.S. energy supply. Less than 8% of U.S. imports of oil and refined products came from Russia in 2021[1]. Removing refined products, Russian oil accounted for less than 3% of U.S. oil imports[2]. Individual companies are also taking action, major Western brands such as Starbuck’s, McDonald’s, and Apple have announced that they are suspending operations in Russia. The deepening isolation and economic turmoil in Russia briefly rippled through the commodities market, sending prices of Russia’s largest exports to decade-high prices. Crude oil reached as high as $135 per barrel before retreating back below $100 this week. The London Metal Exchange was forced to halt nickel trading after prices doubled in a single trading session. And natural gas prices in Europe have continued to swell, up nearly 85%[3] over the past year.

As the situation in Ukraine continues to unfold, policymakers here in the U.S. are faced with the decision of whether to begin to raise rates as part of this week’s FOMC meeting. Chairman Powell has recognized publicly that Russia’s war with Ukraine presents uncertain implications for the U.S. economy, but maintains his

[1] Energy Information Administration
[2] Energy Information Administration
[3] Trading Economics

recent stance that the federal funds rate needs to be increased to curb inflation here at home. Market expectations are for the first of a series of rate hikes this year to be announced this week, and possibly already have been by the time this commentary is distributed.

It's no surprise that with the rise of geopolitical tensions, inflation, and rates, we have experienced some elevated stock market volatility to start the year. The S&P 500 has slipped into correction territory, down nearly 12% year-to-date as of last week's close. That said, we are hardly entering unknown territory. On average, over the past 50 years, we have seen equity market declines of at least 10% every 18-months. There are twelve separate occurrences of the S&P 500 losing at least 8% through the first 48 trading days of the year, in all but three of those years the market recouped its losses and finished the year in positive territory. As a long-term investor, it's important to remain patient and not overreact when making investment decisions during these periods of heightened volatility. Thanks for reading, and as always, if you have any questions, or if we can help in any way, please don't hesitate to give our office a call.

With My Best Regards,

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