THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished March at 34,678, up +2.32% for the month, down -4.57% so far for the year. The S&P 500 closed March at 4,530, up +3.58% for the month, down -4.95% year-to-date. The NASDAQ Composite gained +3.41% in March, down -9.10% for the year. Small-company stocks as measured by the Russell 2000, ended March up +1.08% for the month, down -7.80% year-to-date. Energy (+39.1%) was the best performing sector in the first quarter.

"Investors worried that Covid-19 lockdowns in China could exacerbate supply-chain problems and weigh on economic growth. The war in Ukraine and the Federal Reserve's plan to tighten monetary policy to combat inflation are also fueling anxiety."

(The Wall Street Journal, U.S. Stocks Drop as Bond Yields Climb, Karen Langley, April 11, 2022

First Quarter Review - Yellow Lights Flashing for the Economy

Markets saw a reprieve in March after one of the worst starts to the year for the stock market in history. Worsening the investor experience in the first quarter was the performance of bonds, which fell alongside stocks due to rising interest rates and inflation. After stabilizing in March, markets are grappling with a number of risk factors including the ongoing war in Ukraine, the highest inflation in decades, an aggressive Federal Reserve raising interest rates, and renewed Covid lockdowns in China which may further exacerbate supply chain issues. In this period of elevated risk and uncertainty for markets, it's more important than ever to ensure that a prudent asset allocation and investment plan is in place that matches your needs and time horizon as an investor. One risk management tool we often recommend is maintaining a healthy cash reserve of between 6-24 months of spending. This separates your near term spending needs from market volatility, helping to avoid selling stocks in a downturn. We remain constructive on the outlook for investors to be rewarded for disciplined, long term investment in the capital markets, although we do expect the near term may be a more difficult environment for investors and volatility may be elevated. Below is our current thinking on two timely topics.

- Fixed Income Outlook: As interest rates go up, the price of bonds goes down, and in 2022 bonds have seen one of their worst quarters on record as the market began pricing in rapid rate increases by the Federal Reserve to address inflation. Eventually, these higher rates will support higher yields and returns for fixed income investment, although in the near term there may be price losses. We are recommending shorter term durations on fixed income portfolios to reduce interest rate risk in the portfolios and to reinvest in higher yields sooner.

- Yield Curve Inversion: Readers may have seen headlines in the news regarding an inverted yield curve in the bond market. This closely watched measure has been a mostly reliable indicator of future recession in the past. Typically it has signaled a recession in the next 6-24 months from the inversion. While the 2 and 10 year yields did invert on March 31, the inversion was short lived and most observers wait for a more prolonged inversion to draw conclusions. Another closely watched 3 month and 10 year measure remains far from inverted. Many observers view this signal as more of a yellow light at this time. A more prolonged inversion in the future will be a clearer signal. We will be closely monitoring any developments.

"Yields across the entire bond market have been rising at their fastest pace in years, and bond prices, which move in the opposite direction of yields, are falling... Bonds with shorter maturities held up better. When investors believe that interest rates will go up, they're more willing to hold short-term bonds in hopes of harvesting higher yields later on. Those in longer-maturity bonds... are more likely to sell since they don't want to be stuck with the lower yields for long periods." (Barron's, The Worst Quarter in Years for Bond Fund Investors Had Few Bright Corners, Evie Liu, April 8, 2022)

Jobs Growth Sets Record in March

The U.S. economy added 431,000 jobs in March, the 11th straight month more than 400,000+ jobs were added. This is the longest such stretch in the data set dating back to 1939. Many observers were optimistic about an improving labor force participation rate, particularly among women who saw an increase of over 300,000 workers. The unemployment rate ticked down to 3.6%, just slightly off the 50 year low of 3.5% before the pandemic. Observers will continue to closely watch how the tight labor market, rising wages, and difficulty staffing for many industries will affect the inflationary trends and supply shortages in the economy.

We pray all of our readers, your churches, and communities have a blessed Easter season.

Market Metrics

INDEX OR METRIC	CLOSE AS OF 02/28/2022	CLOSE AS OF 03/31/2022	CHANGE PREVIOUS MONTH END	2022 YTD % CHANGE
Dow Jones Industrial Average	33,892.60	34,678.35	+785.75	-4.57%
S&P 500	4,373.94	4,530.41	+156.47	-4.95%
NASDAQ Composite	13,751.40	14,220.52	+469.12	-9.10%
RUSSELL 2000	2,048.09	2,070.13	+22.04	-7.80%
Fed Funds Rate	0.00%-0.25%	0.25%-0.50%	+0.25%	
2-Year Treasury	1.44%	2.28%	+0.84%	
10-Year Treasury	1.83%	2.32%	+0.49%	
Crude Oil $ per Barrel	$95.72	$100.28	+$4.56	+33.33%
Gold $ per Troy oz.	$1,900.70	$1,954.00	+$53.30	+6.86%
UK Point in U.S. $	$1.3417US=1£	$1.3166US=1£	$ STRONGER	-2.79%
Euro in U.S. $	$1.1232US=1€	$1.1126US=1€	$ STRONGER	-2.16%
Canada $ per U.S. $	$1.26835C=$1.00US	$1.24905C=$1.00US	$ WEAKER	-1.12%
Japan Yen per U.S. $	115.175¥=$1.00US	121.375¥=$1.00US	$ STRONGER	+5.40%