



Forward Focus

April 2022



Tax Day: Monday, April 18, 2022

Quarterly Market Review

Inflation concerns, Russia's war in Ukraine, a spike in Covid cases, and concerns over the Federal Reserve's first rate hike in years put a damper on U.S. stocks during the first quarter of 2022. 60% of the stocks in both the Dow Jones Industrial Average and the S&P 500 index posted negative returns this quarter. On March 8th, oil and gold prices hit intraday highs for the quarter at \$129/bbl and \$2,072/oz, respectively. Inflation rose to 6.4%, hitting the highest level in 40 years.

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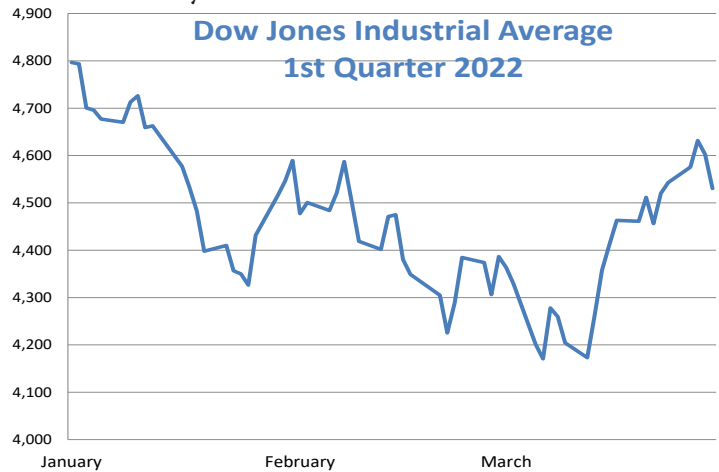
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The Federal Reserve raised interest rates for the first time since 2018, and signaled possibly 5+ more rate hikes this year. Rising rates and inflation fears have increased yields, but driven bond prices lower.

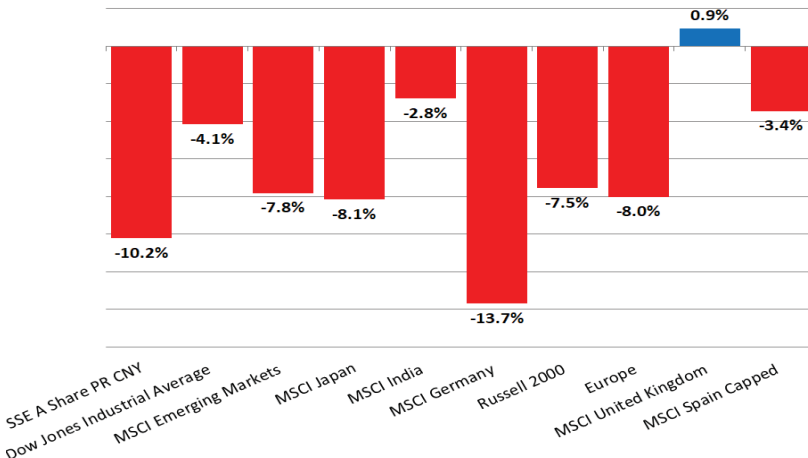


The 2-year Treasury note lost 2.5%, 10-year Treasury notes declined almost 7% and the 30-year Treasury bond fell 11.4%. That is a staggering loss for bonds.

Inverted Yield Curve: When a shorter maturity debt yields more than a longer maturity debt. This is uncommon because most investors require a greater return for greater risk or a longer time horizon. On March 31st, the 2-year Treasury yielded more than the 10-year Treasury. This is significant because a yield curve inversion typically signals or indicates a possible recession due to expectations of a weakening economy. While we are watching this closely, it is not concerning yet.

The actual inversion was miniscule (2.337% vs 2.331%) and quickly reversed itself. As I write this, the 10-year yields 2.61% and the 2-year yields 2.50%.

First Quarter 2022



Tax Day is April 18th. All tax documents are directly sent to you from Charles Schwab. If you have a taxable account, you should've received a 1099-Composite Form. If you took a distribution from your IRA you received a 1099-R. If you still need any tax documentation, please log onto www.schwaballiance.com or let us know.

For the quarter, the best performing sectors were Energy, Consumer Staples, and Utilities, while the worst performing sectors were Consumer Discretionary, Technology, and Communication Services. Regarding size, Small company stocks underperformed Large company stocks. Also, Value stocks outperformed Growth stocks.

First Quarter 2022

- Dow Jones Industrial Average -4.6%
- S&P 500 -4.6%
- MSCI EAFE (International) -6.8%
- Russell 2000 (Small Cap) -7.5%
- MSCI EMI (Emerging) -7.8%
- Barclays Capital Aggregate Bond -5.9%

Investing in a Roth IRA in 2022

Eligibility to contribute to a Roth IRA is based upon your Modified Adjusted Gross Income. Each year the IRS makes adjustments to the income ranges to account for changes in inflation. Since the amounts change each

Roth IRA	\$6,000 : Under Age 50 \$7,000 : Age 50 and above
Married, Filing Jointly	\$204,000 - \$214,000 MAGI
Married, Filing Separately	\$0 - \$10,000 MAGI
Single or Head of Household	\$129,000 - \$144,000 MAGI

year, **Forward** put together this helpful chart for you for 2022.

A **Roth IRA** allows for tax-FREE growth and tax-FREE withdrawals during retirement. However, the contribution is not tax deductible.

In order to qualify you simply need to have taxable income below the highest amount listed on the left. Ex: If you are married, filing jointly and make less than \$204,000, you can contribute \$6,000/person into a Roth IRA (\$7,000 if you are age 50+). People with incomes within the phase-out range can make reduced contributions, and no contribution is allowed above the phase-out range.

If you are below the income range, I encourage you to fully fund (or at least partially fund) a Roth IRA. It provides tax-FREE withdrawals in the future and there are NO mandatory distributions (Required Minimum Distributions) like there are with traditional IRA's or company retirement plans. Also, when your beneficiaries inherit a Roth IRA, assuming the account has been open for at least 5 years, they pay no taxes. That's right ZERO. There are also no age limits to open up a Roth IRA. So, if you are retired and have a part-time job, you can still contribute.

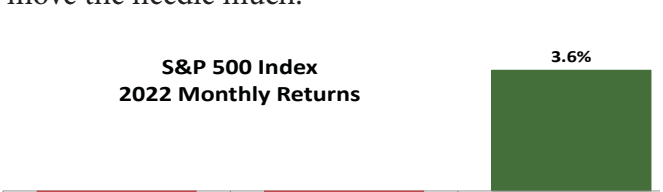
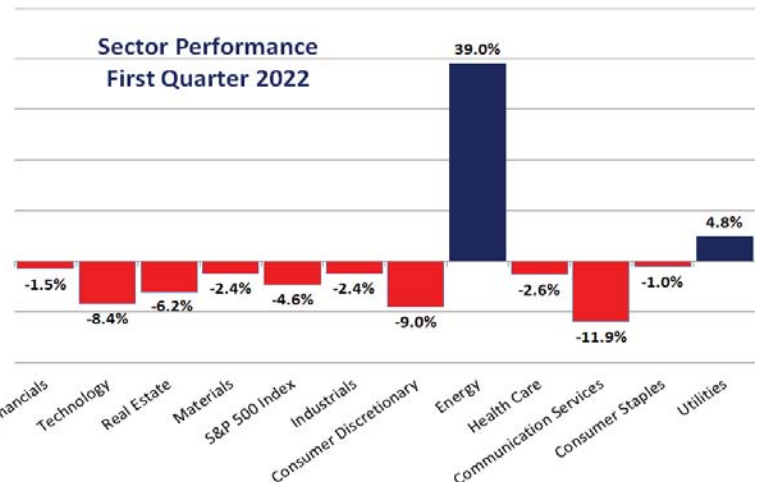
Look, you are already going to pay taxes on your earnings; you might as well wisely put it to work for you. I highly encourage funding a Roth IRA in 2022. Please email me or call me and we can discuss your options.

Gaining Energy, Losing Steam

The big winner of the year thus far is Energy. The energy sector is up 39% led by names like Occidental Petroleum, Halliburton, and Marathon Oil, with gains of 96%, 66%, and 53%, respectively.

Utilities performed well also, up almost 5%. The other nine sectors declined. The three worst performing sectors (Tech, Consumer Discretionary, and Communication Services) account for almost half of the weighting in the S&P 500 index.

Energy has a 3.9% weighting in the index. So, despite the stellar gains in the energy sector, it did not move the needle much.



The chart on the left shows the monthly returns of the S&P 500 during the first quarter. The last three weeks of March produced a 7% surge and almost brought the index back to unchanged for the year. That surge is likely short-lived. We still believe the market can improve from current levels, but the near-term path will likely be choppy. While unnerving to some, this creates great long term opportunities.

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