



Economic & Market Commentary

There has been much speculation as to how aggressive the Federal Reserve will be in raising short-term rates to curb inflation. Those opinions moved sharply higher with last Thursday's inflation numbers. January CPI came in hotter than expected, with annualized headline inflation (+7.5%) the highest since Feb-1982 and core (+6.0%) highest since Aug-1982. Much of the upside was driven by surprise increases in some of the most virus-exposed areas including travel and transportation. Food and energy were up +0.9% for the month. Treasuries sold off sharply following the report, pushing 2Y yields back to pre-pandemic levels, the 10Y above 2%, and the 2Y/10Y spread to the narrowest since Aug-20. Market odds of a 50bp rate hike in March spiked after St. Louis Fed President Bullard told Bloomberg News after Thursday's CPI report that given his concern over inflation, he prefers a 50 bp hike in March, though he will defer to Chair Powell. Bullard also said he favors 100 bp of increases by July. However, after Bullard's comments, some other Fed officials played down a potential 50 bp hike. Richmond's Barkin said that while he's open to a 50 bp rate hike conceptually, he doesn't necessarily think now is the time for that, while San Francisco's Daly indicated that she would not prefer sending a strong signal with a 50 bp increase. Several sell-side economists, including Goldman Sachs and Citi revised forecasts for an even tighter policy path following the report. Treasuries yields abruptly reversed course on Friday on reports of an imminent Russian invasion of Ukraine, which pushed the major stock averages lower for the week and oil prices higher. US Secretary of State Blinken said that a Russian invasion of Ukraine could begin at any time, while National Security Advisor Jake Sullivan said today that an invasion could begin next week, and added that there is no prospect of a US military evacuation in the event of a Russian invasion. Last week ended with much volatility and we expect volatility to remain elevated near-term.

Index Total Returns - February 11, 2022

	1-Wk	YTD	1-Yr
MSCI-Emerging	1.60	0.75	-11.30
MSCI-Developed	1.42	-2.38	4.95
Dow Jones	-0.96	-4.28	12.50
S&P 400	0.95	-6.74	5.75
S&P 500	-1.79	-7.16	14.41
Russell 2000	1.42	-9.51	-10.28
NASDAQ	-2.17	-11.80	-1.04
Barclay's U.S. Bond Index			
Int. Gov. Credit	-0.28	-2.34	-3.47
5-year Muni	-0.61	-2.84	-2.99
Municipal	-0.90	-3.16	-2.68
Aggregate	-0.41	-3.45	-4.03
High Yield	-0.96	-4.03	-0.31

Oil Prices



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	1.03	0.86	0.07
U.S. 2-Yr	1.52	1.32	0.11
U.S. 3-Yr	1.74	1.55	0.18
U.S. 5-Yr	1.87	1.78	0.46
U.S. 10-Yr	1.95	1.92	1.16
U.S. 30-Yr	2.25	2.23	1.95

S&P 500 Sector Total Returns - February 11, 2022

Sector	1-Wk	YTD	1-Yr
Energy	2.09	27.10	69.01
Financials	0.02	2.73	30.91
Consumer Staples	-0.87	-2.30	19.46
Industrials	-0.73	-6.05	12.44
Utilities	-2.14	-6.33	9.64
Materials	1.15	-7.29	16.29
Health Care	-1.45	-7.49	13.74
Info Tech	-2.89	-10.96	13.15
Consumer Discretionary	-2.23	-11.58	4.87
Communication Services	-3.86	-12.16	-0.39
Real Estate	-2.74	-12.31	22.17

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	1.69	1.52	0.68
U.S. AA	1.76	1.56	0.75
U.S. A	2.01	1.80	1.08
U.S. Baa	2.31	2.14	1.62
U.S. Municipal	1.85	1.66	0.90
Michigan	1.93	1.76	0.96

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	19.59	16.95	1.32
S&P 400 - Mid Cap	14.53	15.61	1.21
S&P 600 - Small Cap	13.52	16.14	1.17