

Good morning!

Fed Chairman Jerome Powell promised in February 2018 when he succeeded Janet Yellen that his committee would be transparent, telegraphing the financial markets well in advance of any monetary action they were considering. Last week's rate hike, openly acknowledged at the Fed's late January 2022 meeting, is expected to be followed by additional rate hikes at each of the Fed's remaining 6 scheduled meetings in 2022. What can't be precisely quantified but is also nonetheless impactful is the "runoff" of the Fed's balance sheet that begins this month. In his post-meeting press conference, Powell called the shrinkage of the Fed's bond holdings to "*be the equivalent of another rate increase.*" Future Fed action will be based on how inflation reacts (source: BTN Research).

Investors struggle to balance real-world headlines (e.g., Russia's invasion of Ukraine) with the financial reaction from Wall Street. In the 3+ weeks since the Russian war began on 2/24/2022, the S&P 500 has gained +4.2% (total return) through the close of trading last Friday 3/18/2022, slightly better than the NASDAQ Composite's +3.2% gain (total return). In the long-run, *it's all about "profits and losses," regardless of the backdrop that's dominating the news* (source: BTN Research).

American lenders repossessed 7,418 homes during the first 2 months of 2022, up +150% over the 2,973 repossessions that took place during the first 2 months of 2021. With ARMs (adjustable rate mortgages) being reset in the coming months as interest rates rise, *more homeowners are going to be at risk* (source: Attom Solutions).

#### Notable Numbers for the Week:

1. **IN THE NEXT YEAR** - 2020 was the **10th year in the last 72 years**, i.e., 1950-2021, that the US economy **contracted**. Our economy has **rebounded the following year** with positive growth **8 out of 10 times**, including **+5.7% growth in 2021** following its **3.5% contraction** in 2020 (source: Commerce Department).
2. **MID-POINT** - 49% of the **157.8 million Form 1040s** that were filed for **tax year 2019** (a total of 77.9 million returns) reported **less than \$40,000 of adjusted gross income** (source: IRS).
3. **IT WAS PAINFUL BUT IT WORKED** - The Federal Reserve **increased short-term interest rates** last Wednesday 3/16/2022, raising the **federal funds rate** to a **target range of 0.25% to 0.50%**. From **8/15/1979 to 3/18/1980**, the Fed under **Paul Volcker's leadership** raised the fed funds rate **from 11% to 20%** to eradicate the **double-digit inflation** the US was experiencing at that time (source: Federal Reserve).
4. **WATER NEEDED** - **74% of the land in the western United States** (covering **9 US states**) is in a "**severe drought**" as of last Thursday 3/17/2022 (source: US Drought Monitor).

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