

# Market Commentary Monday, March 28, 2022

March 27, 2022

## EXECUTIVE SUMMARY

Week in Review – Equity Rebound Continues; Bond Prices Skid

Rising Rates & Stocks – Historical Evidence

Reward-Free Risk – Folks Fleeing Fixed Income

High Inflation & Fed Tightening – Value Stocks Have Performed Well

Recessions & Inversions – Stocks Still Not a Bad Place to Reside

Econ News – Mixed Data, but No Recession Indicated

Volatility – Stocks Will Gyrate, But the Longer the Hold, the Less the Chance of Loss

Winners & Losers – Top and Bottom *TPS* Performers in 2022

Stock News – Updates on MOS, NTR, ADM, BAC, JPM, C, CMA, OZK, NTAP & MRNA

## Market Review

Not without a sizable selloff on Wednesday, the two-year anniversary of the COVID-19 stock market bottom on March 23, 2020,...



September 29, 2014



March 30, 2020

Magazine Cover	Date	S&P End Value	3 Months Later	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Time Magazine: The Aids Hysteria	7/4/1983	168.91	-2%	-1%	-9%	49%	61%	2590%
Time Magazine: The Truth About	5/5/2003	926.55	4%	14%	21%	43%	52%	390%
Time Magazine: Avian Flu	9/26/2005	1,215.63	4%	7%	10%	0%	-6%	274%
Time Magazine: H1N1 How Bad	8/24/2009	1,025.57	8%	8%	3%	38%	94%	343%
Bloomberg BusinessWeek: Ebola Is Coming	9/29/2014	1,977.80	6%	4%	-5%	27%	50%	130%
Time Magazine: Coronavirus	3/30/2020	2,626.65	18%	28%	51%			73%
Price Changes Only. Does not Include Dividends								
		<b>Averages:</b>	<b>6%</b>	<b>10%</b>	<b>12%</b>	<b>31%</b>	<b>50%</b>	<b>633%</b>

Source: Kovitz using data from Bloomberg. As of 1.25.22



August 24, 2009



September 26, 2005



May 5, 2003



July 4, 1983

...the equity rebound continued last week,...



Total Returns Matrix									
Last Week	YTD	Last 12 Months	Last 2 Years	Last 3 Years	Last 5 Years	2021	Since 10.31.20	Since 3.23.20	Name
-1.63	-7.06	-7.79	-0.89	0.80	7.55	-4.71	-8.62	-0.41	Bloomberg Barclays Global-Aggregate Bond
-1.82	-6.89	-5.36	-3.09	4.19	10.13	-1.54	-7.29	-2.45	Bloomberg Barclays U.S. Aggregate Bond
0.31	-3.60	8.88	71.17	45.73	89.11	20.95	35.21	95.19	Dow Jones Industrial Average
1.12	-1.63	11.43	76.72	44.28	67.11	20.82	39.43	100.58	New York Stock Exchange Composite
-1.55	-13.00	-12.97	68.39	34.38	66.04	2.83	15.08	86.23	Russell 2000 Growth
<b>0.70</b>	<b>-1.40</b>	<b>5.95</b>	<b>114.14</b>	<b>47.60</b>	<b>56.54</b>	<b>28.27</b>	<b>62.85</b>	<b>137.69</b>	<b>Russell 2000 Value</b>
-0.38	-7.22	-3.81	91.43	42.59	63.51	14.82	37.08	112.05	Russell 2000
1.52	-9.71	14.89	92.52	86.20	151.70	25.85	31.91	111.66	Russell 3000 Growth
<b>1.53</b>	<b>0.05</b>	<b>13.25</b>	<b>84.94</b>	<b>47.66</b>	<b>65.37</b>	<b>25.37</b>	<b>48.57</b>	<b>107.66</b>	<b>Russell 3000 Value</b>
1.53	-5.10	13.99	90.03	67.95	107.10	25.66	39.78	110.88	Russell 3000
0.96	-2.44	15.05	101.18	63.25	94.38	29.63	50.73	127.92	S&P 500 Equal Weighted
1.81	-4.35	17.85	89.33	70.85	112.22	28.71	41.84	109.51	S&P 500
1.95	-8.67	20.87	96.40	85.77	149.94	32.01	37.67	115.45	S&P 500 Growth
<b>1.67</b>	<b>0.45</b>	<b>14.26</b>	<b>78.09</b>	<b>51.69</b>	<b>71.89</b>	<b>24.90</b>	<b>46.57</b>	<b>99.31</b>	<b>S&amp;P 500 Value</b>
0.31	-12.50	17.02	89.94	65.39	116.65	29.81	33.24	116.28	S&P 500 Pure Growth
<b>2.84</b>	<b>8.10</b>	<b>20.18</b>	<b>130.67</b>	<b>51.62</b>	<b>70.20</b>	<b>34.63</b>	<b>80.13</b>	<b>168.93</b>	<b>S&amp;P 500 Pure Value</b>

As of 03.25.22. Source Kovitz using data from Bloomberg

...despite a massive leap in the yield on the benchmark 10-Year U.S. Treasury.



We understand that the War in Ukraine has caused many investors to seek supposedly safer investments, but the yield on the benchmark 10-Year bond soared from 2.15% to 2.48% over the past trading week, as high inflation and a still-healthy economy are compelling Jerome H. Powell & Co. to hike interest rates and soon reduce the size of the Federal Reserve's balance sheet.



We suppose we could argue that news out of Ukraine did not get markedly worse,...



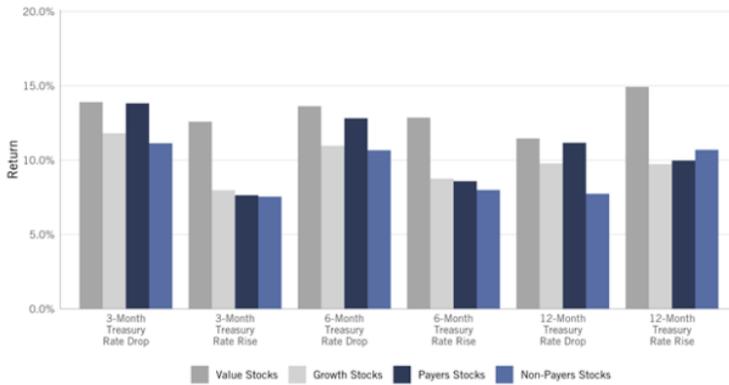
## Disconcerting Headlines

The crisis in the Ukraine continues to escalate and the world remains on edge, with investors concerned about potential market fallout. No doubt, nobody knows how these tense events will play out, but the equity markets, in the fullness of time, have overcome every other disconcerting entry on the timeline of U.S.-Russia relations.

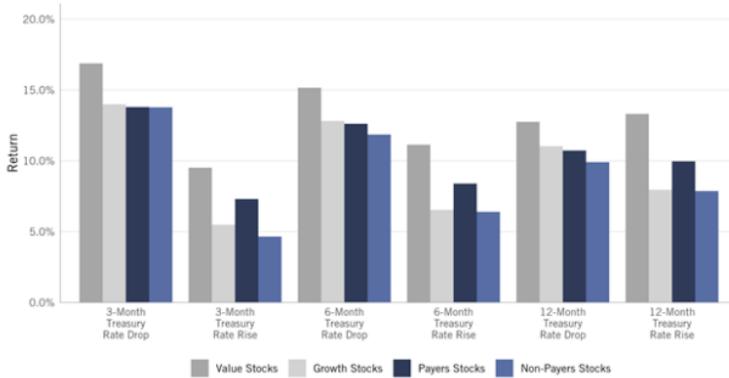
Major Events in Russia - U.S. History		S&P 500 Value	6 Months Before	6 Months Later	12 Months Later	36 Months Later	60 Months Later	Event thru Present
Korean War Begins	6/25/1950	19.14	15%	5%	11%	26%	114%	23636%
Death of Stalin	3/5/1953	25.79	2%	-9%	3%	79%	61%	17516%
Creation of the Warsaw Pact	5/14/1955	37.44	12%	24%	25%	15%	48%	12034%
Sputnik & The Space Race	10/4/1957	42.79	-4%	-3%	18%	24%	33%	10517%
The U-2 Incident	5/1/1960	54.37	-5%	-1%	20%	29%	64%	8256%
Cuban Missile Crisis	10/16/1962	57.08	-16%	21%	28%	60%	67%	7859%
Soviet Invasion of Czechoslovakia	8/20/1968	98.96	9%	1%	-4%	-1%	3%	4491%
Soviet Invasion of Afghanistan	12/24/1979	107.66	5%	7%	26%	30%	55%	4120%
U.S. Moscow Olympics Boycott	3/21/1980	102.31	-7%	26%	31%	48%	75%	4340%
Downing of Korean Air Flight 007	9/1/1983	164.23	9%	-4%	1%	54%	57%	2666%
Soviet Los Angeles Olympics Boycott	7/28/1984	151.19	-8%	17%	27%	107%	126%	2905%
Chernobyl Disaster	4/26/1986	242.29	29%	-2%	16%	27%	56%	1775%
Fall of Communism in Eastern Europe	8/19/1989	346.03	17%	-4%	-5%	21%	34%	1213%
German Reunification	10/3/1990	311.40	-9%	22%	23%	48%	87%	1359%
Dissolution of the Soviet Union	12/26/1991	404.84	9%	0%	9%	14%	87%	1022%
Black Brant: Mistaken Nuclear War Scare	1/25/1995	467.44	3%	20%	32%	105%	202%	872%
Russo-Georgian War	8/7/2008	1,266.07	-5%	-31%	-20%	-5%	34%	259%
Putin Reelected	3/4/2012	1,369.63	17%	3%	11%	53%	74%	232%
Annexation of Crimea	3/21/2014	1,866.52	9%	8%	13%	26%	53%	143%
Skiprial Poisoning & Diplomatic Expulsion	3/1/2018	2,473.92	0%	17%	13%	58%		84%
<b>Price Changes Only - Does Not Include Dividends</b>		<b>Averages:</b>	<b>4%</b>	<b>6%</b>	<b>14%</b>	<b>41%</b>	<b>70%</b>	<b>5265%</b>

As of 3.25.22. Source: Kovitz using Bloomberg, ussuriarelations.org, state.gov and Wikipedia

...while, on average, rising interest rates historically have not pushed stock prices down,...



From 06.30.27 through 12.31.21. Concurrent annualized 12-month returns. SOURCE: Kowitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French



From 06.30.27 through 12.31.21. Subsequent annualized 12-month returns. SOURCE: Kowitz using data from Bloomberg Finance L.P. and Professors Eugene F. Fama and Kenneth R. French

Many think rising interest rates will prove to be a big headwind for equities, but nine decades of returns data show that stocks in general have performed admirably on average, both concurrent with and subsequent to increases (as well as decreases) in the yield on the 10-Year U.S. Treasury over 3-, 6-, and 12-month time spans, with Value Stocks leading the charge no matter the direction.

...with the only conclusion one might draw from the weight of ninety years of historical evidence being that a higher long-term Treasury yield is not good for long-term corporate or government bonds.



## Rising Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	17.8%	12.5%	11.2%	15.7%	1.0%	-1.0%	2.2%	3.7%
Geometric Average	13.5%	9.4%	9.1%	10.1%	0.8%	-1.1%	2.1%	3.7%
Median	17.0%	12.2%	14.3%	10.9%	1.3%	-0.2%	1.8%	3.3%
Max	126.6%	93.1%	69.8%	88.2%	14.6%	9.2%	9.7%	14.7%
Min	-54.0%	-42.2%	-47.4%	-50.9%	-8.1%	-14.9%	-5.1%	0.0%
Count	46	46	46	46	46	46	46	46

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

## Falling Long-Term Government Rates - Annual Returns Review

Name	Value Stocks	Growth Stocks	Dividend Payers	Non-Dividend Payers	Long-Term Corp Bonds	Long-Term Government Bonds	Intermediate-Term Govt Bonds	U.S. Treasury Bills
Arithmetic Average	15.7%	12.7%	14.3%	11.5%	12.3%	13.4%	8.5%	2.9%
Geometric Average	12.9%	10.5%	12.6%	7.6%	12.0%	13.1%	8.4%	2.9%
Median	16.4%	13.8%	14.9%	12.3%	10.8%	10.7%	7.8%	2.1%
Max	71.1%	48.3%	53.5%	90.5%	42.6%	40.4%	29.1%	10.5%
Min	-43.6%	-37.0%	-34.8%	-48.6%	2.6%	2.8%	1.4%	0.0%
Count	45	45	45	45	45	45	45	45

Source: Kovitz using data from Ibbotson Associates SBBI. From 1930 to 2020.

This is especially true today, with interest rates having resided at microscopic levels for quite some time and many fixed income investors suffering losses of huge magnitude relative to the modest returns they were hoping to earn,...



On 8.11.21, Germany issued €5 billion of 10-year bonds with a coupon of 0% in a deal that attracted plenty of “interest” at a price of €104.56. That is not a typo! In order to receive €100 back in 10 years and NO interest along the way, “investors” gladly paid €104.56, locking in a sizable loss if held to maturity. Hoping to lose roughly 0.46% per annum, they must be thrilled with the 20 times expected annual return (the bonds have lost more than 9.0%) over the past seven months!



...and compelling them to head for the exits on their bond mutual and exchange traded funds, with some of those dollars, happily, making their way into U.S. equities.



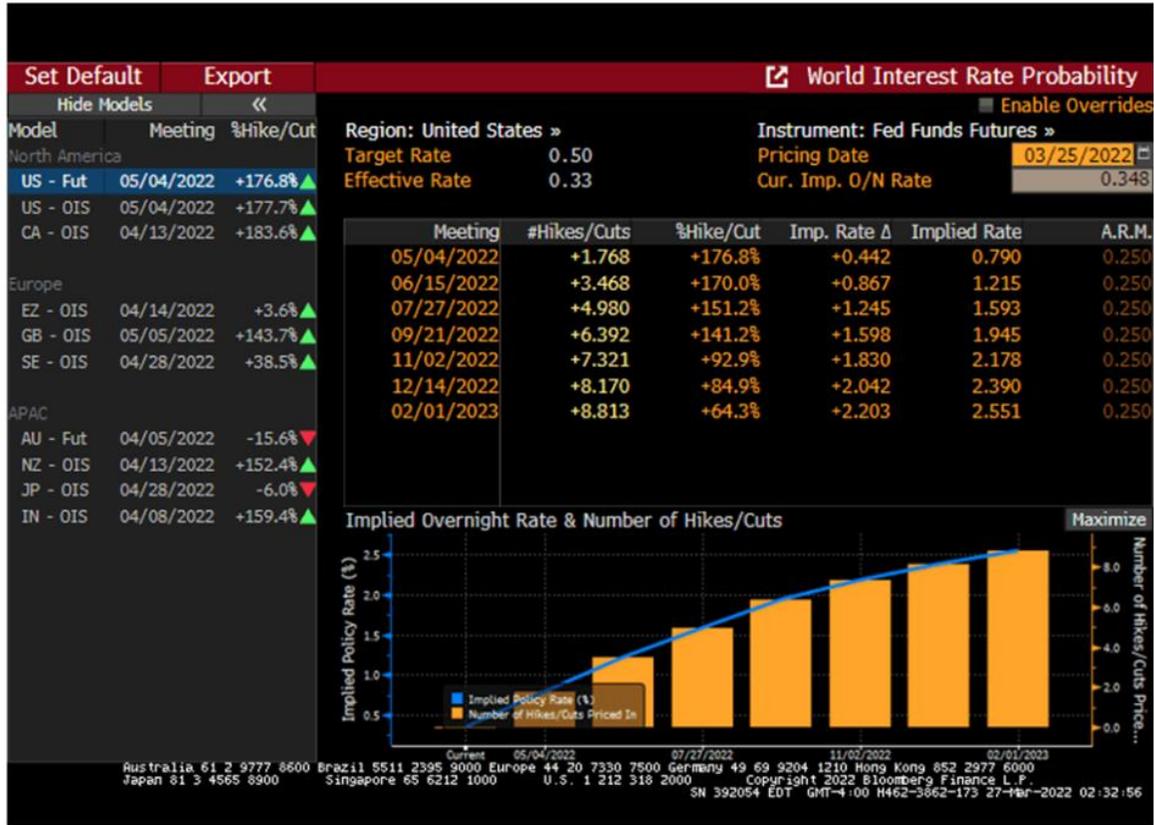
Combined Estimated Long-Term Fund Flows and ETF Net Issuance					
Millions of dollars					
Week Ended	3/16/2022	3/9/2022	3/2/2022	2/23/2022	2/16/2022
<b>Total Equity</b>	<b>14,950</b>	<b>13,176</b>	<b>-1,040</b>	<b>-1,388</b>	<b>4,943</b>
Domestic	15,531	12,465	-2,672	-3,203	4,531
World	-582	710	1,631	1,815	411
<b>Hybrid</b>	<b>-2,291</b>	<b>-1,019</b>	<b>-2,734</b>	<b>-621</b>	<b>-455</b>
<b>Total Bond</b>	<b>-11,123</b>	<b>-11,718</b>	<b>-13,151</b>	<b>-3,696</b>	<b>-9,415</b>
Taxable	-7,947	-10,078	-9,741	-1,606	-6,922
Municipal	-3,176	-1,641	-3,410	-2,090	-2,493
<b>Commodities</b>	<b>1,597</b>	<b>3,592</b>	<b>2,817</b>	<b>1,398</b>	<b>913</b>
<b>Total</b>	<b>3,132</b>	<b>4,030</b>	<b>-14,109</b>	<b>-4,307</b>	<b>-4,015</b>

Source: Investment Company Institute

Investment Company Institute											
Long-Term Mutual Fund and Exchange-Traded Fund (ETF) Flows											
Millions, U.S. dollars											
Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total	Month	Stocks Domestic	Bonds Total
Jan-15	-14,465	17,535	Nov-16	22,993	-13,289	Sep-18	886	18,526	Jul-20	-46,524	98,490
Feb-15	5,547	30,321	Dec-16	18,859	-4,142	Oct-18	-9,657	-27,700	Aug-20	-57,594	84,113
Mar-15	-1,494	4,905	Jan-17	5,097	31,037	Nov-18	2,783	-7,459	Sep-20	-28,900	51,000
Apr-15	-34,681	11,027	Feb-17	17,613	33,991	Dec-18	-28,953	-49,512	Oct-20	-52,484	63,918
May-15	-17,287	5,010	Mar-17	9,411	36,562	Jan-19	-21,195	29,308	Nov-20	41,143	58,854
Jun-15	-7,023	6,324	Apr-17	-8,266	22,064	Feb-19	3,632	45,138	Dec-20	-34,003	76,186
Jul-15	-14,864	-1,255	May-17	-10,725	33,070	Mar-19	-3,654	38,412	Jan-21	-37,308	93,759
Aug-15	-18,569	-18,122	Jun-17	-7,944	29,372	Apr-19	-5,307	40,565	Feb-21	45,112	71,788
Sep-15	-4,725	-10,849	Jul-17	-12,518	29,139	May-19	-24,652	21,332	Mar-21	53,232	51,294
Oct-15	-807	15,397	Aug-17	-22,771	25,078	Jun-19	-11,997	39,771	Apr-21	-484	79,732
Nov-15	654	-5,573	Sep-17	-9,775	33,440	Jul-19	-7,889	44,811	May-21	8,334	39,541
Dec-15	476	-25,043	Oct-17	3,166	36,110	Aug-19	-29,908	22,304	Jun-21	-3,056	56,807
Jan-16	-27,222	7,686	Nov-17	-4,417	19,788	Sep-19	-4,650	38,482	Jul-21	-5,093	32,389
Feb-16	-9,108	11,915	Dec-17	-9,054	19,491	Oct-19	-24,645	43,187	Aug-21	6,145	52,884
Mar-16	7,711	29,296	Jan-18	10,778	46,287	Nov-19	-11,716	44,480	Sep-21	-333	42,157
Apr-16	-12,610	22,114	Feb-18	-41,444	2,706	Dec-19	-27,500	50,733	Oct-21	23,104	29,678
May-16	-14,252	16,925	Mar-18	-22,152	14,148	Jan-20	-24,544	73,855	Nov-21	3,502	28,970
Jun-16	-15,530	16,623	Apr-18	-7,403	24,176	Feb-20	-28,220	25,064	Dec-21	7,234	13,082
Jul-16	292	33,575	May-18	10,068	11,749	Mar-20	-7,485	-273,714	Jan-22	-1,280	-20,015
Aug-16	-9,956	30,859	Jun-18	-21,004	16,995	Apr-20	2,664	14,672	Feb-22	25,967	-24,366
Sep-16	-5,713	24,669	Jul-18	1,007	22,495	May-20	-20,929	73,166			
Oct-16	-23,109	13,855	Aug-18	-6,660	17,219	Jun-20	-24,819	100,103	<b>Totals:</b>	<b>-662,917</b>	<b>2,110,465</b>

While investors have had a multi-year love affair with fixed income, red ink in 2021 and thus far in 2022 has finally led to a modest flight out of bonds, with some of that money evidently finding its way into equities in February and March, per data on flows for stock and bond mutual and exchange traded funds as calculated by the Investment Company Institute. Happily, given the massive disparity in fund flows over the last seven years, there are plenty of additional fixed income fund dollars that could transition into equities, especially if bond folks grow more worried about inflation and Federal Reserve rate hikes.

We can't blame those folks for arguably seeking safety in stocks, given that the Federal Reserve is likely to raise the Fed Funds rate quite a few more times this year,...



...and equities have proven to be an excellent hedge against high inflation, on average, since 1927 and 1957.



# THE WALL STREET JOURNAL

THURSDAY, JANUARY 13, 2022 - VOL. CCLXXIX NO. 10  
 WSJ.com  
 \$5.00

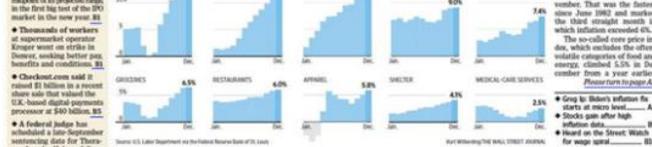
MARKET DATA: S&P 500 4,329.12 ▲ 0.3% NASDAQ 11,033.37 ▲ 0.2% DOW JONES 34,601.00 ▲ 0.1% NYSE COMPOSITE 15,144.00 ▲ 0.1% RUSSELL 2000 2,015.12 ▲ 0.1%

10-YR TREASURY 4.12% 20-YR TREASURY 4.26% 30-YR TREASURY 4.30%

## Inflation Hits Fastest Clip Since '82



U.S. inflation hit its fastest pace in nearly four decades last year as pandemic-related supply and demand imbalances, along with stimulus intended to shore up the economy, pushed prices up at a 7% annual rate. At 7.0%, it is the highest since 1980, when it peaked at 13.5% in August. Inflation reached 7% in January 2022, the highest annual rate since 1980.



## China's 'Zero-Covid' Efforts Face Big Test From Omicron

BEIJING—Over the past two years, China has used some of the strictest measures anywhere to keep Covid-19 out. But as the Omicron variant spreads inside China ahead of February's 2022 Beijing Winter Olympic Games, an open question is whether the country's ability to keep the virus out has meant low levels of natural immunity. Vaccination rates are high, but how effective Chinese vaccines are against Omicron remains in question.

China has held fast to its "zero-Covid" strategy despite a mounting toll on its people. The country's ability to keep the virus out has meant low levels of natural immunity. Vaccination rates are high, but how effective Chinese vaccines are against Omicron remains in question.

## McCarthy Rejects Panel's

WASHINGTON—House Speaker Kevin McCarthy rejected a panel's recommendation to strip the House of Representatives of its power to impeach President Joe Biden. McCarthy said the panel's report was "a disservice to the American people" and that he would not support it.

### Inflation Rate >= 7.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.5%	2.1%	10.3%	5.4%	24.5%	14.3%
Geometric Average	3.8%	1.5%	8.8%	4.1%	21.6%	11.7%
Median	3.9%	1.7%	6.7%	4.3%	18.0%	12.4%
Max	50.6%	33.2%	82.1%	61.2%	133.3%	84.3%
Min	-19.2%	-27.8%	-26.3%	-36.0%	-28.1%	-48.0%
Count	131	131	131	131	131	131

Source: Kavitz using data from Ibbotson Associates 06.30.27 - 11.30.21

### Inflation Rate <7.0% and Ensuing Value/Growth Returns Since 1927

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.1%	3.2%	8.1%	6.3%	16.3%	12.4%
Geometric Average	3.1%	2.5%	6.1%	4.9%	12.1%	9.5%
Median	4.0%	3.5%	8.0%	6.5%	16.2%	13.1%
Max	201.1%	131.7%	245.2%	135.6%	358.2%	213.8%
Min	-43.5%	-40.4%	-56.3%	-47.0%	-71.5%	-64.8%
Count	1001	1001	998	998	992	992

Source: Kavitz using data from Ibbotson Associates 06.30.27 - 11.30.21

### Inflation Rate >= 7.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	4.2%	2.3%	9.3%	5.8%	22.3%	15.9%
Geometric Average	3.7%	1.6%	8.2%	4.1%	20.6%	12.6%
Median	4.7%	2.7%	6.9%	4.7%	20.6%	17.7%
Max	39.8%	33.2%	63.2%	61.2%	72.6%	84.3%
Min	-16.4%	-27.8%	-26.3%	-36.0%	-28.1%	-48.0%
Count	76	76	76	76	76	76

Source: Kavitz using data from Ibbotson Associates 03.31.57 - 11.30.21

### Inflation Rate < 7.0% and Ensuing Value/Growth Returns Since 1957

Metric	Value Stocks 3 Month	Growth Stocks 3 Month	Value Stocks 6 Month	Growth Stocks 6 Month	Value Stocks 12 Months	Growth Stocks 12 Months
Arithmetic Average	3.8%	3.0%	7.7%	6.1%	15.6%	12.0%
Geometric Average	3.3%	2.6%	6.7%	5.1%	13.5%	10.2%
Median	4.0%	3.4%	8.1%	6.3%	17.1%	12.9%
Max	37.7%	32.0%	68.3%	49.7%	106.5%	92.6%
Min	-39.5%	-34.9%	-54.2%	-41.8%	-52.2%	-40.1%
Count	698	698	695	695	689	689

Source: Kavitz using data from Ibbotson Associates 03.31.57 - 11.30.21

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We realize that many are concerned that Jerome H. Powell & Co. tightening monetary policy will be a headwind for stocks, despite what actually has occurred over the past five decades,...



Rates Change and Equities Rise									
Beginning Rate	Rate Environment	Start Date	End Date	Large Stocks	Small Stocks	Value Stocks	Growth Stocks	Div. Payers	Non-Payers
9.0%	FALLING	01.31.1970	02.29.1972	15.5%	8.0%	18.5%	13.5%	2.3%	15.5%
3.3%	RISING	03.31.1972	07.31.1974	-9.3%	-19.5%	-8.9%	-23.4%	-30.8%	-9.8%
12.9%	FALLING	08.31.1974	01.31.1977	20.2%	40.9%	38.6%	24.7%	31.2%	25.2%
4.6%	RISING	02.28.1977	06.30.1981	12.1%	35.8%	21.0%	21.6%	36.7%	14.7%
19.1%	FALLING	07.31.1981	02.28.1983	14.5%	21.4%	28.6%	13.5%	7.9%	15.5%
8.5%	RISING	03.31.1983	08.31.1984	11.2%	9.1%	18.1%	0.4%	-6.1%	10.1%
11.6%	FALLING	09.30.1984	10.31.1986	25.1%	14.1%	26.4%	18.5%	11.0%	26.1%
5.9%	RISING	11.30.1986	03.31.1989	11.2%	7.3%	12.4%	6.3%	5.6%	10.8%
9.9%	FALLING	04.30.1989	12.31.1992	13.5%	9.2%	12.3%	13.9%	12.0%	13.8%
2.9%	RISING	01.31.1993	04.30.1995	10.4%	12.7%	10.6%	5.2%	10.6%	9.6%
6.1%	FALLING	05.31.1995	01.31.1999	29.4%	14.1%	24.0%	21.3%	28.6%	27.2%
4.6%	RISING	02.28.1999	07.31.2000	12.1%	30.1%	15.2%	26.7%	36.5%	4.4%
6.5%	FALLING	08.31.2000	12.31.2003	-7.5%	10.8%	10.6%	-9.0%	-17.9%	2.9%
1.0%	RISING	01.31.2004	03.31.2007	9.5%	11.1%	15.2%	7.7%	8.6%	10.5%
5.3%	FALLING	04.30.2007	02.28.2014	5.7%	7.3%	4.1%	8.2%	9.9%	5.6%
0.1%	RISING	03.31.2014	04.30.2019	11.6%	5.7%	7.1%	11.9%	13.5%	10.6%
2.4%	FALLING	05.31.2019	09.30.2021	23.3%	19.8%	20.4%	31.5%	33.1%	20.9%
			<b>AVERAGE</b>	<b>12.3%</b>	<b>14.0%</b>	<b>16.1%</b>	<b>11.3%</b>	<b>11.3%</b>	<b>12.6%</b>
			<b>FALLING</b>	<b>15.5%</b>	<b>16.2%</b>	<b>20.4%</b>	<b>15.1%</b>	<b>13.1%</b>	<b>17.0%</b>
			<b>RISING</b>	<b>8.6%</b>	<b>11.5%</b>	<b>11.3%</b>	<b>7.0%</b>	<b>9.3%</b>	<b>7.6%</b>

...with some pundits arguing that investors should abandon equities, again contrary to what the data indicate, as an economic recession could be in the cards.



As the saying goes, the stock market (and economists) has predicted nine of the last five recessions, but the 15 prior instances of actual negative economic growth illustrate that long-term-oriented investors (on average) should stay invested (in Value, preferably) no matter what.

U.S. Recession Commencement (per NBER) & Equity Returns												
S&P 500 and Fama/French Value Performance												
Year Prior	Year Prior	Recession Start	1 Year	1 Year	3 Year	3 Year	5 Year	5 Year	10 Year	10 Year	To Present	To Present
S&P 500 TR	FF Value TR	Date	S&P 500 TR	FF Value TR	S&P 500 TR	FF Value TR	S&P 500 TR	FF Value TR	S&P 500 TR	FF Value TR	S&P 500 TR	FF Value TR
51.9%	30.8%	August 1929	-32.6%	-32.0%	-73.5%	-64.9%	-71.1%	-61.4%	-58.0%	-47.7%	332925%	8306935%
18.2%	42.6%	May 1937	-39.3%	-55.8%	-33.2%	-55.1%	-32.5%	-44.3%	53.7%	142.7%	618683%	7759742%
26.3%	54.4%	February 1945	26.0%	42.2%	12.0%	28.5%	64.3%	75.7%	379.2%	468.6%	445903%	3744739%
4.0%	4.6%	November 1948	19.2%	12.4%	101.8%	108.9%	145.2%	130.7%	542.0%	584.7%	362185%	2715765%
3.1%	4.7%	July 1953	31.9%	25.6%	128.9%	118.0%	136.5%	138.2%	308.5%	381.9%	149653%	1139258%
-1.2%	-0.4%	August 1957	10.0%	16.4%	40.2%	55.0%	55.1%	77.9%	188.9%	418.4%	68726%	538778%
-2.4%	-6.4%	April 1960	24.2%	29.0%	41.7%	51.5%	92.4%	131.0%	107.7%	268.9%	51758%	365091%
-8.4%	-20.9%	December 1969	3.9%	8.7%	41.4%	40.3%	-11.3%	-7.3%	77.0%	267.9%	22284%	92789%
-15.2%	-19.4%	November 1973	-23.8%	-14.8%	20.8%	77.1%	23.7%	142.4%	182.3%	719.9%	18828%	80870%
20.6%	31.3%	January 1980	19.5%	12.3%	49.5%	80.4%	102.4%	183.5%	342.4%	480.7%	11807%	23233%
13.0%	22.9%	July 1981	-13.3%	-0.8%	34.0%	78.6%	127.9%	217.1%	343.5%	408.6%	9517%	18258%
6.5%	-6.9%	July 1990	12.7%	9.9%	38.2%	76.0%	83.2%	129.3%	407.4%	424.9%	2344%	3867%
-21.7%	17.0%	March 2001	0.2%	14.6%	1.9%	33.8%	21.4%	83.4%	38.3%	96.0%	489%	546%
5.6%	-2.9%	December 2007	-37.0%	-38.2%	-8.3%	-14.9%	8.6%	0.9%	125.9%	117.4%	314%	229%
8.2%	-9.7%	February 2020	31.3%	38.8%							59%	70%
<b>7.2%</b>	<b>9.5%</b>	<b>Averages</b>	<b>2.2%</b>	<b>4.6%</b>	<b>28.2%</b>	<b>43.8%</b>	<b>53.3%</b>	<b>85.5%</b>	<b>217.1%</b>	<b>338.1%</b>	<b>139698%</b>	<b>1652678%</b>

S&P 500 as of 3.25.22. FF Value as of 1.31.22. Source: Kovitz Investment Group using data from Bloomberg, Professors Eugene F. Fama & Kenneth R. French and the National Bureau of Economic Research

Those supposed experts often point to a possible yield-curve inversion (we are not yet there) as a harbinger of recession, without bothering to include what has happened to stocks when such an event has transpired.



While the 2.488% yield on the 10-Year U.S. Treasury is still 20 basis points above the 2.284% yield on the 2-Year, the financial press has been busy warning that an inversion could lead to a recession or otherwise be bad for stocks...despite evidence to the contrary.

**S&P 500 Total Return Post 10-Year/2-Year Yield-Curve Inversion**

Inversion Date	1 Year S&P 500 TR	3 Year S&P 500 TR	5 Year S&P 500 TR	10 Year S&P 500 TR	To Present S&P 500 TR
8/18/1978	9.2%	45.5%	103.4%	295.0%	13978%
9/12/1980	1.8%	53.9%	86.8%	290.6%	10387%
1/14/1982	34.4%	71.2%	184.6%	440.2%	10548%
12/13/1988	32.1%	54.1%	97.7%	452.3%	3227%
3/8/1990	14.2%	47.1%	65.3%	411.5%	2490%
6/9/1998	19.6%	17.5%	-6.4%	43.3%	533%
2/2/2000	-3.1%	-36.7%	-8.6%	-6.2%	392%
1/31/2006	14.5%	-31.3%	11.7%	87.4%	393%
8/23/2019	21.6%				66%
<b>S&amp;P Total Return</b>	<b>16.0%</b>	<b>27.7%</b>	<b>66.8%</b>	<b>251.8%</b>	<b>4668%</b>

As of 3.25.22. Source: Kovitz using data from Bloomberg and the St. Louis Federal Reserve

**Yield Curve Flashes Near-Recession, Maybe**

By James Mackintosh

**Predicting recessions involves a lot of uncertainties and not a lot of insurance.**

The gap between short- and long-dated bonds is often used as a recession indicator that right now the three-month and two-year are sending different messages.

Germany is widely believed to be more at risk of recession than the U.S., but its yield curve suggests otherwise.

**U.S. Treasury yield curve spread**

**S&P 500 total return from date of curve inversion to start of recession**

Recession Start	S&P 500 Total Return
March 1989	29.3%
September 1990	22.2%
April 2000	18.8%
January 2006	7.4%
March 2019	6.6%

As of 3.25.22. Source: Kovitz using data from Bloomberg and the St. Louis Federal Reserve

Of course, an economic contraction this year or next is NOT the present view of the Federal Reserve,...



With the invasion of Ukraine by Russia, along with supply chain imbalances from the pandemic and broader price pressures adding to current and expected inflation numbers, Federal Reserve members have sharply increased their estimates for PCE inflation and their targets for the Fed Funds rate. The median inflation projection for 2022 now stands at 4.3% with the year-end forecast for the Fed Funds rate climbing to 1.9%, up from the prior 0.9% estimate offered in December.

Table 1. Economic projections of Federal Reserve Board members and Federal Reserve Bank presidents, under their individual assumptions of projected appropriate monetary policy, March 2022

Percent

Variable	Median <sup>1</sup>				Central Tendency <sup>2</sup>				Range <sup>3</sup>			
	2022	2023	2024	Longer run	2022	2023	2024	Longer run	2022	2023	2024	Longer run
Change in real GDP	2.8	2.2	2.0	1.8	2.5-3.0	2.1-2.5	1.8-2.0	1.8-2.0	2.1-3.3	2.0-2.9	1.5-2.5	1.6-2.2
December projection	4.0	2.2	2.0	1.8	3.6-4.5	2.0-2.5	1.8-2.0	1.8-2.0	3.2-4.6	1.8-2.8	1.7-2.3	1.6-2.2
Unemployment rate	3.5	3.5	3.6	4.0	3.4-3.6	3.3-3.6	3.2-3.7	3.5-4.2	3.1-4.0	3.1-4.0	3.1-4.0	3.5-4.3
December projection	3.5	3.5	3.5	4.0	3.4-3.7	3.2-3.6	3.2-3.7	3.8-4.2	3.0-4.0	2.8-4.0	3.1-4.0	3.5-4.3
PCE inflation	4.3	2.7	2.3	2.0	4.1-4.7	2.3-3.0	2.1-2.4	2.0	3.7-5.5	2.2-3.5	2.0-3.0	2.0
December projection	2.6	2.3	2.1	2.0	2.2-3.0	2.1-2.5	2.0-2.2	2.0	2.0-3.2	2.0-2.5	2.0-2.2	2.0
Core PCE inflation <sup>4</sup>	4.1	2.6	2.3		3.9-4.4	2.4-3.0	2.1-2.4		3.6-4.5	2.1-3.5	2.0-3.0	
December projection	2.7	2.3	2.1		2.5-3.0	2.1-2.4	2.0-2.2		2.4-3.2	2.0-2.5	2.0-2.3	
Memo: Projected appropriate policy path												
Federal funds rate	1.9	2.8	2.8	2.4	1.6-2.4	2.4-3.1	2.4-3.4	2.3-2.5	1.4-3.1	2.1-3.6	2.1-3.6	2.0-3.0
December projection	0.9	1.6	2.1	2.5	0.6-0.9	1.4-1.9	1.9-2.9	2.3-2.5	0.4-1.1	1.1-2.1	1.9-3.1	2.0-3.0

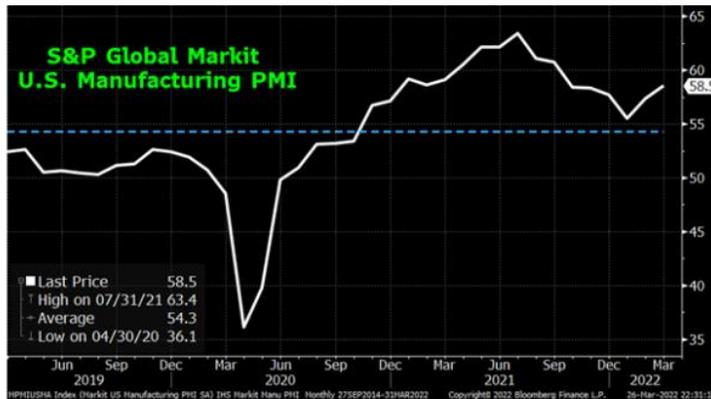
Source: Federal Reserve, March 16, 2022

...while the latest weekly unemployment numbers just hit five-decade lows,...



Coming in at the lowest lowest level since 1969 when the work force was much smaller, new filings for unemployment benefits for the period ended March 19 were a seasonally adjusted 187,000, down from a revised 215,000 the week prior. Continuing claims filed through state programs dipped to 1.35 million, the lowest level since the 1970s as businesses continue to hold onto workers with labor so difficult to obtain.

...and the forward-looking PMI tallies on the health of the factory and services sectors from S&P Global Markit came in better than expected at an eight-month high.



The S&P Global Market preliminary U.S. PMIs for the factory and services sectors in March came in at 58.5 and 58.9, respectively, both nicely above expectations. S&P said, "U.S. growth accelerated to an eight-month high in March, reviving further from the Omicron-induced slowdown seen at the turn of the year. Few survey respondents reported any immediate impact on output and demand from the Ukraine war, instead generally citing the opening up of the economy as having boosted growth of demand and output in both manufacturing and services."

True, some of the economic stats out last week were disappointing,...



The headline number for durable goods orders in February dipped 2.2%, compared to a 1.3% rise the month prior, with higher inflation and supply issues to blame. Excluding the volatile transportation sector, orders slipped 0.3%, the first decline in 12 months, with computers and defense the only categories to post sizable increases. Consumers became more pessimistic, with the Univ. of Michigan sentiment tally dropping to a nearly 11-year low this month.



...and rising mortgage rates are weighing on the housing sector,...



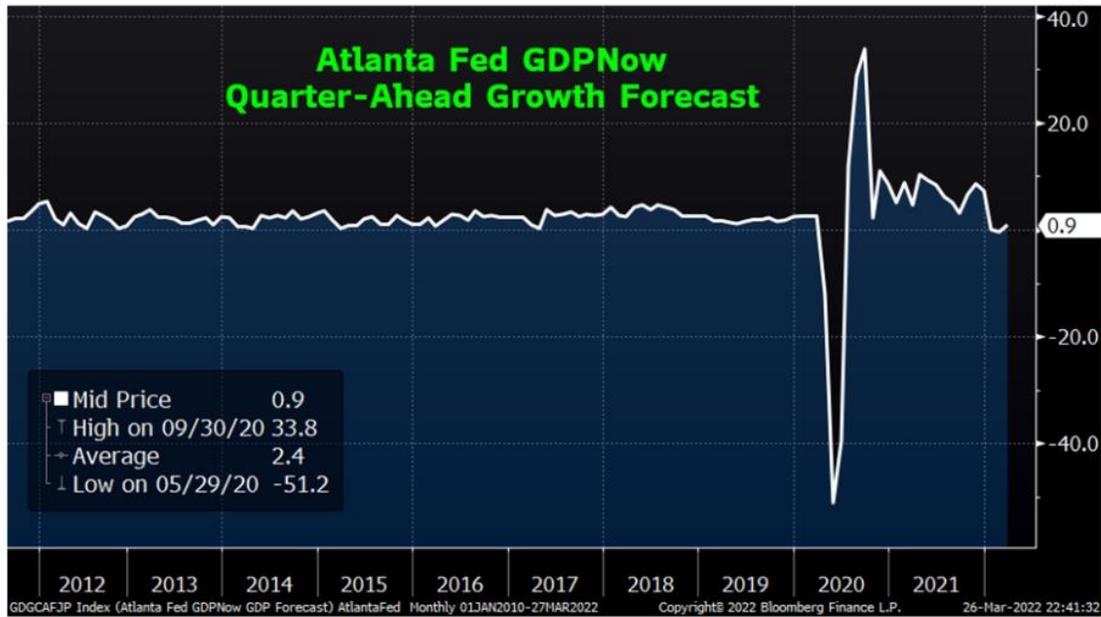
With mortgage rates rising as government bond yields have soared, housing affordability has come under pressure and pending home sales (contract signed for the purchase of an existing home) sank 4.1% in February, the fourth straight monthly decline. Meanwhile, sales of new homes for February fell by 2% to 772,000 units, still above the historical average, but down 6% on a year-over-year basis, with the median sales price hitting \$400,600.



...while there was a modest downtick in the most recent forecast for Q1 U.S. GDP growth,...



While Q4 2021 saw a superb 7.0% jump in real (inflation-adjusted) GDP growth and forecasts for full-year 2022 call for an additional improvement in the economy, the Omicron variant, supply-chain difficulties, the War in Ukraine and inflation are impacting the current quarter, with the Atlanta Fed's current projection for Q1 2022 GDP growth on an annualized basis standing at 0.9%.



...but the outlook for corporate profit growth remains strong.



Q4 2021 earnings reporting season was terrific on both an absolute and a relative basis. Of course, full-year 2020 COVID-19-impacted EPS were miserable, so a massive rebound was expected, but estimates have been moving higher for 2022, 2023 and 2024.

S&P 500 Earnings Per Share		
Quarter Ended	Bottom Up Operating EPS 3 Month	Bottom Up Operating EPS 12 Month
<b>ESTIMATES</b>		
12/31/2023	\$65.46	\$246.79
9/30/2023	\$63.48	\$241.40
6/30/2023	\$60.75	\$236.55
3/31/2023	\$57.10	\$231.33
12/31/2022	\$60.07	\$225.47
9/30/2022	\$58.63	\$221.98
6/30/2022	\$55.53	\$215.37
3/31/2022	\$51.24	\$211.89
12/31/2021	\$56.58	\$208.06
<b>ACTUAL</b>		
9/30/2021	\$52.02	\$189.66
6/30/2021	\$52.05	\$175.54
3/31/2021	\$47.41	\$150.28
12/31/2020	\$38.18	\$122.37
9/30/2020	\$37.90	\$123.37
6/30/2020	\$26.79	\$125.28
3/31/2020	\$19.50	\$138.63
12/31/2019	\$39.18	\$157.12
9/30/2019	\$39.81	\$152.97
6/30/2019	\$40.14	\$154.54
3/31/2019	\$37.99	\$153.05
12/31/2018	\$35.03	\$151.60

Source: Standard & Poor's. As of 3.24.22



\*\*\*\*\*

Past performance is not a guarantee of future performance, and we concede that the data sets presented above include some disconcerting members. We also suspect that equity markets are likely to remain volatile (the futures are again showing that the week will get off to a poor start), as they react to geopolitical events, commodity fluctuations, interest rate gyrations and proclamations from Federal Reserve officials,...

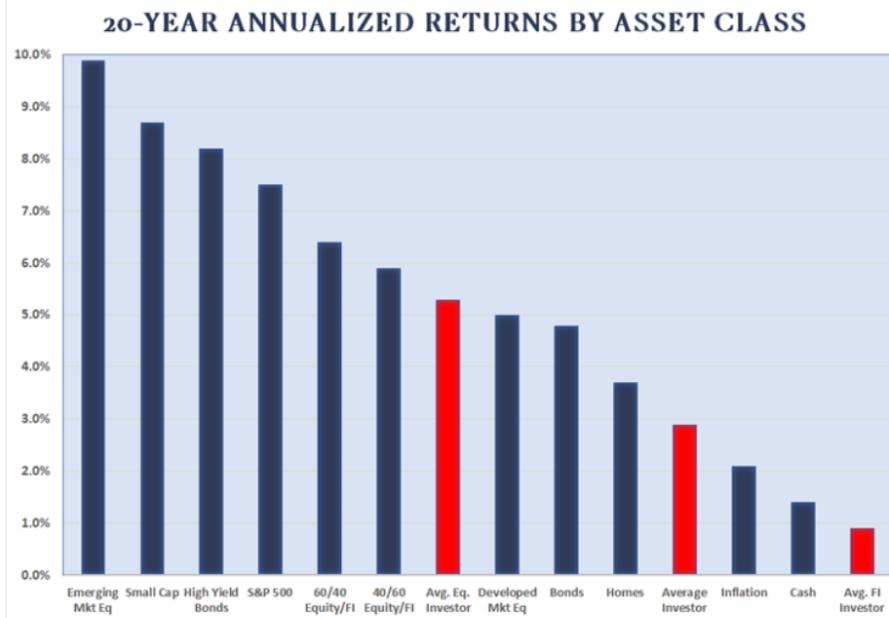

**S&P 500 Moves (on a Closing Basis) of 5% Without a Comparable Move in the Other Direction Since 03.09.09**

3/26/2009	3/30/2009	5.44%	BEAR	3/9/2009	3/26/2009	23.11%	BULL
6/12/2009	7/10/2009	7.09%	BEAR	3/30/2009	6/12/2009	20.15%	BULL
10/19/2009	10/30/2009	5.62%	BEAR	7/10/2009	10/19/2009	24.89%	BULL
1/19/2010	2/8/2010	8.13%	BEAR	10/30/2009	1/19/2010	11.01%	BULL
4/23/2010	5/7/2010	8.74%	BEAR	2/8/2010	4/23/2010	15.19%	BULL
5/12/2010	6/7/2010	10.34%	BEAR	5/7/2010	5/12/2010	5.47%	BULL
6/18/2010	7/2/2010	8.49%	BEAR	6/7/2010	6/18/2010	6.38%	BULL
8/9/2010	8/26/2010	7.14%	BEAR	7/2/2010	8/9/2010	10.29%	BULL
2/18/2011	3/16/2011	8.41%	BEAR	8/26/2010	2/18/2011	28.25%	BULL
4/29/2011	6/15/2011	7.20%	BEAR	3/16/2011	4/29/2011	8.49%	BULL
7/7/2011	8/8/2011	17.27%	BEAR	6/15/2011	7/7/2011	6.94%	BULL
8/15/2011	8/19/2011	6.72%	BEAR	8/8/2011	8/15/2011	7.60%	BULL
8/31/2011	9/9/2011	5.30%	BEAR	8/19/2011	8/31/2011	8.49%	BULL
9/16/2011	10/3/2011	9.60%	BEAR	9/9/2011	9/16/2011	5.35%	BULL
10/28/2011	11/25/2011	9.84%	BEAR	10/3/2011	10/28/2011	16.91%	BULL
4/2/2012	6/1/2012	9.94%	BEAR	11/25/2011	4/2/2012	22.47%	BULL
9/14/2012	11/15/2012	7.67%	BEAR	6/1/2012	9/14/2012	14.69%	BULL
5/21/2013	6/24/2013	5.78%	BEAR	11/15/2012	5/21/2013	23.34%	BULL
1/15/2014	2/3/2014	5.78%	BEAR	6/24/2013	1/15/2014	17.50%	BULL
9/18/2014	10/15/2014	7.40%	BEAR	2/3/2014	9/18/2014	15.47%	BULL
5/21/2015	8/25/2015	12.35%	BEAR	10/15/2014	3/2/2015	13.69%	BULL
9/16/2015	9/28/2015	5.69%	BEAR	8/25/2015	9/16/2015	6.84%	BULL
11/3/2015	2/11/2016	13.31%	BEAR	9/28/2015	11/3/2015	12.12%	BULL
6/23/2016	6/27/2016	5.34%	BEAR	2/11/2016	6/23/2016	5.64%	BULL
1/26/2018	2/8/2018	10.16%	BEAR	6/27/2016	1/26/2018	43.60%	BULL
3/9/2018	4/2/2018	7.35%	BEAR	2/8/2018	3/9/2018	7.96%	BULL
9/20/2018	11/23/2018	10.17%	BEAR	4/2/2018	9/20/2018	13.55%	BULL
12/3/2018	12/24/2018	15.74%	BEAR	11/23/2018	12/3/2018	5.99%	BULL
4/30/2019	6/3/2019	8.64%	BEAR	12/24/2018	4/30/2019	25.30%	BULL
7/26/2019	8/14/2019	8.12%	BEAR	6/3/2019	7/26/2019	10.25%	BULL
2/19/2020	3/12/2020	26.74%	BEAR	8/14/2019	2/19/2020	16.11%	BULL
3/13/2020	3/23/2020	17.47%	BEAR	3/12/2020	3/13/2020	9.29%	BULL
3/26/2020	4/1/2020	6.07%	BEAR	3/23/2020	3/26/2020	17.55%	BULL
6/8/2020	6/11/2020	7.12%	BEAR	4/1/2020	6/8/2020	30.84%	BULL
9/2/2020	9/23/2020	9.60%	BEAR	6/11/2020	9/2/2020	19.28%	BULL
10/12/2020	10/30/2020	7.48%	BEAR	9/23/2020	10/12/2020	9.18%	BULL
9/2/2021	10/4/2021	5.21%	BEAR	10/4/2021	1/3/2022	11.54%	BULL
1/3/2022	1/21/2022	8.31%	BEAR	1/27/2022	2/2/2022	6.08%	BULL
2/2/2022	3/8/2022	9.12%	BEAR	3/8/2022	3/25/2022	8.93%	BULL
<b>Average Drop</b>		<b>-8.98%</b>		<b>Average Gain</b>		<b>14.51%</b>	

SOURCE: Kovitz using data from Bloomberg

While the traumatic five-week February/March 2020 Bear Market brought on by the COVID-19 Pandemic and Great Lockdown likely has not yet faded from the minds of most investors, and the Russian Invasion of Ukraine, Fed Tightening and Spike in Inflation has many on edge today, we suspect that many have forgotten the numerous other downturns endured by the equity markets. Believe it or not, just since the S&P 500 bottomed at 676.53 on March 9, 2009, there have been 39 setbacks of 5% or more without a comparable move in the other direction (three per year on average), including two already this year. Happily, the selloffs eventually have always been followed by more rewarding rallies, and the popular index today stands at 4543.06.

...but we remain firm in our belief that time in the market trumps market timing,...



From 2001 to 2020. Emerging Mkt Eq: MSCI EM Index; Small Cap: Russell 2000 Index; High Yield Bonds: Bloomberg Barclays Global HY Index; S&P 500: Standard & Poor's 500 Index; 60/40 Equity/FI: Annually Rebalanced 60% S&P 500 & 40% Bloomberg Barclays U.S. Aggregate Bond Index; 40/60 Equity/FI: Annually Rebalanced 40% S&P 500 & 60% Bloomberg Barclays U.S. Aggregate Bond Index; Avg. Eq. Investor: DALBAR analysis of average equity fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior; Developed Mkt Eq: MSCI EAFE Index; Bonds: Bloomberg Barclays U.S. Aggregate Bond Index; Homes: Median Sale Price of Existing Single-Family Homes; Average Investor: DALBAR analysis of average asset allocation fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior; Inflation: CPI; Cash: Bloomberg Barclays 1-3m Treasury; Avg. FI Investor: DALBAR analysis of average bond fund aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.

Alas, per findings from research firm DALBAR, emotional decision-making and lousy market timing have cost folks dearly, with the average equity fund investor trailing the S&P 500 by 220 basis points per annum over the last 20 years, and the comparisons even worse for asset allocation and fixed income investors.

...while long-term-oriented investors know quite well that patience is a key component of success with stocks.



Given that the most folks are investing for long-term objectives, we remain puzzled that so many continue to think about risk in terms of volatility of one-month returns. After all, while there is no assurance that past is prologue, the odds of losing money in Value Stocks or Dividend Payers is far lower over three-, five- and 10-year periods.

### PATIENCE IS VIRTUOUS

#### VALUE STOCKS

	Count >0%	Count <=0%	Percent >0%
1 Month	717	418	63.2%
3 Months	768	365	67.8%
6 Months	803	327	71.1%
1 Year	822	302	73.1%
2 Year	927	185	83.4%
3 Year	961	139	87.4%
5 Year	963	113	89.5%
7 Year	1016	36	96.6%
10 Year	982	34	96.7%
15 Year	956	0	100.0%
20 Year	896	0	100.0%

#### DIVIDEND PAYERS

	Count >0%	Count <=0%	Percent >0%
1 Month	720	415	63.4%
3 Months	790	343	69.7%
6 Months	819	311	72.5%
1 Year	855	269	76.1%
2 Year	949	163	85.3%
3 Year	942	158	85.6%
5 Year	990	86	92.0%
7 Year	1010	42	96.0%
10 Year	981	35	96.6%
15 Year	956	0	100.0%
20 Year	896	0	100.0%

From 07.31.27 through 01.31.22. Value stocks represented by 50% small value and 50% large value returns rebalanced monthly. Dividend payers represented by 30% top of dividend payers, 40% of middle dividend payers, and 30% bottom of dividend payers rebalanced monthly. SOURCE: Kovitz using data from Professors Eugene F. Fama and Kenneth R. French

We also sleep better at night knowing that our portfolios sport reasonable valuation metrics and generous dividend yields,...



## CURRENT PORTFOLIO AND INDEX VALUATIONS

Name	Price to Earnings Ratio	Price to Fwd. Earnings Ratio	Price to Sales Ratio	Price to Book Ratio	Dividend Yield
TPS Portfolio	13.9	12.7	1.1	2.4	2.3
ValuePlus	15.1	13.0	1.5	2.5	1.9
Dividend Income	13.3	12.7	1.0	2.2	2.7
Focused Dividend Income	14.5	13.2	1.2	2.4	2.5
Focused ValuePlus	13.6	13.6	1.4	2.5	2.3
Small-Mid Dividend Value	11.7	10.6	0.6	1.7	2.4
Russell 3000	25.0	20.5	2.6	4.2	1.4
Russell 3000 Growth	35.8	28.1	4.4	11.5	0.7
Russell 3000 Value	19.1	16.1	1.9	2.6	2.0
Russell 1000	24.0	20.3	2.8	4.4	1.4
Russell 1000 Growth	33.6	27.6	4.8	12.6	0.8
Russell 1000 Value	18.6	16.1	2.0	2.6	2.0
S&P 500 Index	23.4	20.1	2.9	4.5	1.4
S&P 500 Growth Index	28.3	24.8	5.4	9.0	0.7
S&P 500 Value Index	19.9	16.9	2.0	3.0	2.0
S&P 500 Pure Value Index	12.7	11.3	0.8	1.5	2.3

As of 03.26.22. Weights based on model portfolios. Harmonic mean used to calculate the portfolio price metrics. Companies with negative earnings are excluded from the P/E and Estimated P/E calculations. SOURCE: Kovitz using data from Bloomberg Finance L.P.

...while we think that there are plenty of opportunities to add stocks to portfolios that are still off significantly from their highs.



There has been significant dispersion in returns thus far in 2022, with the War in Ukraine pushing many stocks deeper into the red, while bolstering a handful of others, and moving the two dozen biggest losers to the top of the interest list for those looking to do a little shopping.

Market of Stocks: 2022 Advancers & Decliners																	
TPS Winners								TPS Losers									
Sector	Symbol	Company	03-25-22 Price	Target Price	YTD 2022 TR	2021 TR	52-Week High	52-Week Low	Sector	Symbol	Company	03-25-22 Price	Target Price	YTD 2022 TR	2021 TR	52-Week High	52-Week Low
Materials	MOS	Mosaic	\$70.71	\$73.12	82.0%	72.2%	\$71.50	\$28.26	Pharma, Biotech	MRNA	Moderna	\$165.52	\$279.15	-34.7%	143.1%	\$497.49	\$117.34
Materials	NTR	Nutrien	\$107.19	\$114.22	44.2%	60.8%	\$108.84	\$52.28	Autos & Components	GT	Goodyear Tire	\$13.97	\$25.29	-34.1%	95.4%	\$24.89	\$11.64
Energy	EOG	EOG Resources	\$123.74	\$140.06	42.4%	88.7%	\$124.89	\$60.86	Media/Entertainment	FB	Meta Platforms	\$220.43	\$406.88	-34.1%	23.1%	\$384.33	\$185.82
Energy	XOM	Exxon Mobil	\$84.81	\$106.90	40.8%	57.6%	\$91.51	\$52.10	Retailing	FL	Foot Locker	\$30.49	\$70.92	-29.6%	9.7%	\$66.71	\$26.36
Food, Bev & Tobacco	ADM	ArchDanMid	\$92.32	\$96.08	39.0%	37.3%	\$93.50	\$56.91	Consumer Durables	MDC	MDC Holdings	\$39.10	\$79.11	-29.1%	27.9%	\$63.86	\$38.87
Capital Goods	LMT	Lockheed Martin	\$454.26	\$501.82	28.5%	3.2%	\$479.99	\$324.23	Autos & Components	GM	General Motors	\$43.80	\$81.07	-25.6%	40.8%	\$67.21	\$39.75
Materials	NEM	Newmont Corp	\$78.36	\$80.91	28.2%	7.4%	\$80.75	\$52.60	Transportation	DPSGY	Deutsche Post	\$48.49	\$81.77	-23.8%	31.9%	\$72.04	\$41.86
Capital Goods	DE	Deere & Co.	\$432.67	\$498.73	27.3%	28.9%	\$436.95	\$320.50	Semiconductors	LRCX	Lam Research	\$550.86	\$755.98	-22.6%	53.7%	\$731.85	\$466.06
Food & Staples Retail	KR	Kroger	\$56.90	\$63.14	26.5%	45.4%	\$62.58	\$35.54	Consumer Durables	WHR	Whirlpool	\$182.22	\$324.59	-22.0%	33.3%	\$257.68	\$180.55
Retailing	KSS	Kohl's Corp	\$61.04	\$81.28	25.9%	23.6%	\$64.80	\$43.67	Real Estate	DLR	Digital Realty Trust	\$137.68	\$177.92	-21.1%	30.7%	\$178.22	\$130.10
Health Care Eqp/Srvcs	MCK	Mckesson	\$306.01	\$298.63	25.1%	44.2%	\$310.48	\$180.42	Diversified Financials	SYF	Synchrony Fin'l	\$36.38	\$58.09	-20.6%	36.4%	\$52.49	\$33.76
Insurance	ALL	Allstate	\$140.73	\$160.04	21.4%	9.9%	\$141.82	\$106.11	Materials	APD	Air Products	\$245.83	\$360.75	-19.0%	13.8%	\$316.39	\$216.24
Retailing	JWN	Nordstrom	\$27.12	\$45.20	20.4%	-27.5%	\$43.80	\$18.65	Technology Hardware	STX	Seagate Tech	\$90.19	\$130.89	-18.9%	87.6%	\$117.67	\$74.75
Energy	DINO	HF Sinclair	\$39.00	\$57.83	19.9%	28.0%	\$39.39	\$27.17	Health Care Eqp/Srvcs	PHG	Koninklijke Philips	\$29.81	\$50.10	-18.7%	-30.7%	\$61.23	\$29.14
Pharma, Biotech	BMJ	Bristol-Myers Squibb	\$72.90	\$104.61	18.6%	2.9%	\$73.46	\$53.22	Semiconductors	COHU	Cohu Inc.	\$30.98	\$59.36	-18.5%	-0.2%	\$50.70	\$25.89
Media/Entertainment	OMC	Omnicom Group	\$85.17	\$107.34	18.0%	21.9%	\$91.61	\$65.76	Diversified Financials	BLK	Blackrock	\$737.96	\$992.31	-18.5%	29.4%	\$973.16	\$660.15
Capital Goods	GD	General Dynamics	\$242.67	\$272.74	17.9%	43.7%	\$254.99	\$179.85	Materials	BASFY	BASF SE	\$14.19	\$27.21	-18.4%	-6.6%	\$21.75	\$13.04
Capital Goods	GBX	Greenbrier	\$52.62	\$55.68	17.2%	29.5%	\$53.46	\$36.19	Pharma, Biotech	GILD	Gilead Sciences	\$59.12	\$86.07	-17.8%	30.0%	\$74.12	\$57.19
Insurance	MET	MetLife	\$71.24	\$99.09	14.9%	37.3%	\$72.55	\$55.21	Autos & Components	VWAGY	Volkswagen AG	\$23.97	\$44.00	-17.5%	42.5%	\$38.98	\$19.67
Insurance	PRU	Prudential Finl	\$120.34	\$145.29	12.8%	45.2%	\$124.22	\$90.10	Retailing	LOW	Lowe's Cos	\$213.20	\$279.92	-17.3%	63.3%	\$263.31	\$182.08
Health Care Eqp/Srvcs	CAH	Cardinal Health	\$57.30	\$81.99	12.6%	-0.4%	\$62.96	\$45.85	Retailing	BIG	Big Lots	\$37.11	\$72.74	-16.5%	7.3%	\$73.23	\$31.43
Banks	CMA	Comerica	\$96.56	\$107.93	12.4%	61.5%	\$102.09	\$63.07	Semiconductors	MU	Micron Technology	\$77.06	\$125.72	-16.2%	24.2%	\$98.45	\$65.67
Technology Hardware	HPE	Hewlett Packard Ent	\$17.40	\$22.02	12.0%	37.4%	\$17.76	\$12.99	Capital Goods	SIEGY	Siemens	\$70.35	\$104.91	-16.1%	23.8%	\$89.66	\$60.10
Transportation	ALK	Alaska Air Group	\$56.94	\$81.74	10.2%	0.2%	\$74.25	\$43.46	Consumer Durables	HAS	Hasbro	\$84.74	\$126.65	-16.0%	11.9%	\$105.73	\$84.39

As of 3-25-22. Source: Kovitz using data from Bloomberg

## Stock Updates

Keeping in mind that all stocks are rated as a “Buy” until such time as they are a “Sell,” a listing of all current recommendations is available for download via the following link: <https://theprudentpeculator.com/dashboard/>. We also offer the reminder that any sales we make for our newsletter strategies are announced via our *Sales Alerts*.

Jason Clark, Chris Quigley and Zack Tart offer updates on several of our stocks that had news out worthy of mention last week.

As if fertilizer markets didn't have enough with which to contend, news of stalled labor negotiations between workers and Canadian Pacific Railway helped send shares of crop nutrient giants **Mosaic** (MOS – \$71.34) and **Nutrien Ltd.** (NTR – \$108.43) to new 52-week highs last week. CP is one of Canada's largest railways and a primary mode of transporting potash out of Canada's Saskatchewan region.

Nutrien CEO Ken Seitz expressed frustration about the CP incident in a recent interview, “This is now more than ever an essential service. We certainly deem it to be such. The world really doesn't need any more supply-side events, and certainly in the crop nutrient space.” Mosaic said

on Monday in a press release that it was feeling logistical constraints from rail delays in Canada and central Florida which have affected volumes across segments. Management now expects sales volumes for the first quarter of 2022 to be at or near the low end of previous guidance ranges for both Potash and Phosphates.

But higher prices have more than offset the effects from lower volumes, and with fertilizer exports from two of the world's highest-producing countries (Russia and Belarus) on pause and feedstock energy prices elevated, to say the least, the latest hiccup is expected to further boost prices that are already at record highs. Consequently, consensus earnings estimates continue to climb with analysts now projecting profits this year of \$10.90 per share for Mosaic and \$12.80 for Nutrien, a big jump since February.

We continue to doubt the confluence of global events will resolve for some time and ought to keep fertilizer supplies tight for the foreseeable future, but we acknowledge that commodities have a tendency to swing wildly. As such, we would be inclined to trim outsized positions of both names, as the gains this year and last have been sensational. Long-term trends in agriculture appear supportive of both companies irrespective of global conflict, particularly as fertilizers are a necessary input to meet demands from a growing global population given limited real estate. We remain patient with our current exposure noting that MOS remains well below its high from the last time (in 2008) fertilizer prices were near the recent levels (NTR started trading in 2018). Our Target Prices for both are variable at present, with \$73 the current fair value measure for MOS and \$114 for NTR.

As our founder Al Frank liked to say, nothing wrong with selling a little and keeping some, should position sizes be well above 1.2% to 1.5%. That is the same view we have with another of our ag-related names that has been getting some time in the sun. A 10% spike last week pushed shares of **Archer Daniels Midland** (ADM – \$92.32) to a nearly 40% year-to-date return. The rally makes sense, in our view, given elevated demand and pricing of global feedstocks.

A decade of divestments and portfolio investments in plant automation and its supply chain, coupled with efforts to optimize its businesses segments have positioned the food processing and commodities trading giant to benefit in a time when its end markets need the company more now than they likely have in a long time. Indeed, major exporters of feedstocks are impacted by the Russian invasion of Ukraine and others have taken protectionist measures in Europe and beyond: Ukraine is usually responsible for 10%, 14% and half of respective global wheat, corn and sunflower oil exports, while countries like Indonesia (the number 1 global producer of palm oil), Argentina (major soybean meal and oil exporters) and Egypt (flour, lentils and wheat) have turned inward.

ADM shares trade for less than a market multiple on consensus estimated 2022 EPS and have a dividend yield of 1.7%, but similar to our fertilizer holdings, we would not fault anyone for taking profits or trimming overweight positions, given the significant run in the stock. We are comfortable with our current exposure and for the time being have bumped our Target Price for ADM to \$96.

With much anticipation, the Federal Open Market Committee voted at its latest meeting to raise its target for the Fed Funds rate by 25 basis points to a range of 0.25% to 0.50%. The increase is the first of 10 or more hikes to the benchmark rate expected through 2023, with some market observers anticipating as many as 9 increases this year alone. Such action ought to be quite positive for U.S. banks, which have had to contend with record-low market interest rates throughout the pandemic.

After a 38% total return in 2021, the KBW Bank Index is down a smidge year-to-date, but we think the story isn't over as these institutions are able to lend for higher yields. And we expect loan demand to pickup from subdued levels throughout the pandemic although supply supply constraints could hamper borrowing in the near term. We admit that longer-term rates haven't moved quite as fiercely as those of shorter-maturity instruments (flattening the yield curve), and several hikes to the target Fed Funds rate could affect borrowing costs for these institutions. But we think any increases to deposit rates to lag those of the Fed's benchmark given the boost to deposit levels across the sector.

Moreover, we point to the announcement last December, when Jerome Powell & Co. elected to double the pace of the tapering of its bond purchase program (from \$15 billion to \$30 billion per month), a decent portion of which is exposed to longer-dated maturities. Also, not to be overlooked is that most bank balance sheets are in fantastic shape, with plenty of loan-loss reserves and low levels of non-performing assets.

We note that the ratio of loan balances relative to deposits for many banks, especially the money centers like **Bank of America** (BAC – \$43.73), **JPMorgan Chase** (JPM – \$141.92) and **Citigroup** (C – \$56.74), remain well below that before the pandemic, providing lots of cash to deploy into higher yielding loans. The different banks that we own have varying levels of asset sensitivity, but most are positioned to benefit as an increasing amount of variable loans move off their floor rates the further we get into the rising rate cycle. And, most had already begun pricing loans at higher rates even before the latest Fed Funds hike. Yes, we like all of our bank-stock children equally, but we also call attention to **Comerica** (CMA – \$97.04) and **Bank OZK** (OZK – \$43.80), with elevated exposure to variable-rate loans.

**NetApp** (NTAP – \$85.69) hosted its annual Investor Day on March 22, three weeks after reporting its Q3 results. Shares dipped more than 4% last week, even though the provider of storage and data management solutions launched a new \$1 billion share buyback and offered solid guidance for 2025.

CEO George Kurian said, “Two years ago, when we met here in September 2020, we were right in the middle of the pandemic. We saw enormous disruptions but also the acceleration of fundamental trends that we had been predicting. And what we told you then at our Investor Day was the following 6 cornerstones of our strategic and financial plan. Software leadership and trusted relationships with industry leaders positioned us uniquely. When combined with focused execution and disciplined management, we will deliver shareholder value. Fast forward to today very simply, we delivered on our commitments further distancing ourselves from all of our on-premises competitors. Revenue growth of 11%, public cloud ARR growth accelerating to 98%

all-flash arrays at 23% year-on-year revenue growth, positioning us unquestionably in a leadership position in the growth segments of the enterprise storage market.”

Mr. Kurian continued, “A growing part of our total business is coming from high-margin software, cloud and recurring revenue, providing a high-margin, stable foundation of cash flow, and we’ve expanded our cloud partnerships with the world’s leading hyperscale cloud providers with a first-party service on Amazon Web Services, a fast-scaling partnership with Microsoft and early results with Google Cloud. And we’ve done all of this while delivering record operating margin, investing for growth and returning capital to shareholders. So to summarize, we delivered on our commitments while further distancing ourselves from all of our on-premises competitors.”

Looking ahead, Mr. Kurian said, “We have extended the benefits of NetApp to solve customers’ multi-cloud challenges around data with the Data Fabric and around infrastructure and operational management with the cloud operations suite, and it positions us uniquely in the market with a differentiated portfolio that can address a broad range of needs for all applications on one cloud and across multiple clouds... This creates a big and growing opportunity, allowing us to participate in a total addressable market of \$96 billion in 2025, growing at 8% CAGR from roughly \$75 billion in 2021.”

We were pleased to see the new buyback program and the guidance was generally in line with our expectations. The CAGR (compound annual growth rate) target was actually a bit above our expectations. While we prefer to have a margin of safety, a slightly increased EPS growth rate bumps our Target Price by \$1 to \$105. Overall, our opinion on NTAP has not changed since our update in February. We appreciate the exposure to the secular growth of public cloud, and its history of returning cash to shareholders. The dividend has been increased at a rapid rate since initiation (in 2013) and the stock now yields 2.3%, while the company’s balance sheet shows the ability to hike the payout again.

While shares of **Moderna** (MRNA – \$165.92) had moved sharply higher over the previous two weeks, the biotech giant’s Vaccines Day event last week was not greeted with enthusiasm. The company’s shares are down 35% this year (and roughly at the same level that we initially recommended them), and it seems that some analysts are having some hesitancy making the jump from the COVID vaccine to other therapies, vaccines or cures. Even though a large part of our interest in MRNA stems from the ability to parlay mRNA’s success into other areas, we appreciate this concern because Moderna needs the cash flow from the COVID vaccine to finance the future.

CEO Stephane Bancel said, “Before the pandemic, too many people forgot the profound impact of vaccination. First, on health, preventing disease, some vaccine preventive cancer and having a huge societal impact in terms of ability to afford vaccines and access, the empowerment of women and mothers, and of course, the huge economic impact. If you look at the impact of vaccination on health over the last, let’s say, 20 years, it has been really profound... the [rubella] vaccine has been a key contributor in the global reduction of under 5 years of age mortality since 2000... If you look at the U.S., between 1994 and 2013, the CDC has estimated around \$1.3 trillion that have been saved because of vaccines.”

Mr. Bancel continued, “We are extremely proud and excited about the work our team has realized in the lab, in the clinic, and now in the commercial world. The company today, just in vaccines, has 31 development programs, 19 of which are in the clinic, 4 are in Phase III, and we have, as you all know, 1 approved product. If you look at the massive advantage of technology, we have 9 viruses for which there is unmet medical need, where there is no vaccine available on the market. We have 8 combination vaccines and 7 vaccines against latent viruses. So today, we are very excited about a lot of new data that we’re going to be sharing and also a lot of news that have come in, in the last 48 hours. As you know, we have announced a new development candidate that we’re very excited about, the COVID + Flu + RSV, mRNA-1230. And also, we are very happy about, and for those of you who attended Vaccine Day last year, we talked a lot about one of the human coronavirus that circulates in the community pre the pandemic, which is OC43... We’re also very happy today to share with you for the first time the mRNA-1283, which is, as you might recall, the next-generation COVID-19 vaccine with up to 2 years of storage in a regular fridge, and that data will be shared with you today by the team.”

Moderna reported that it has 70 million doses (worth \$21 billion) of firm COVID vaccine (Spikevax) orders in 2022, while the company is also evaluating the benefits of a new booster. The 2022 dose order does not include an order from the U.S. government, resulting in a sales figure that could end up well above \$21 billion depending on U.S. demand.

The company’s flu vaccine, mRNA-1010, saw antibody responses. However, on the risk side, program leader and Senior Director of MRNA’s Infectious Disease Development division, Dr. Raffael Nachbagauer, said, “If we look at the safety profile, we generally see that mRNA-1010 shows higher reactogenicity compared to Afluria. And we see an increase in reactogenicity in a dose-dependent manner...the main drivers of that were pain and axillary swelling and tenderness. And the same patterns we’re seeing for the systemic adverse reactions were — the main drivers were myalgia, headache and fatigue. But importantly, we didn’t see any serious adverse events related to study vaccine, and we did not meet any pause rules through day 29...Again, the adverse reactions were higher in the mRNA-1010 groups compared to the Afluria group, but we didn’t see any significant safety concerns, which brings me to the overall summary of our Phase II interim data.”

We like Moderna’s trajectory and respect the risk (and potentially large reward) that comes with leveraging mRNA technology in a new way. No doubt, the pipeline is broad and is financed by the COVID vaccine. That means that for MRNA to achieve our Target Price (and beyond), there will need to be a new marketable vaccine with high efficacy to join the Spikevax franchise. Of course, boosters and new COVID variants could extend the R&D runway dramatically. Our Target Price for MRNA is presently \$279.

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