



THE CONCORD ADVISORY GROUP, LTD.

Institutional Investment Consulting Services

FEBRUARY 2022 MARKET HIGHLIGHTS

“STABLE INFLATION – SINE QUA NON”

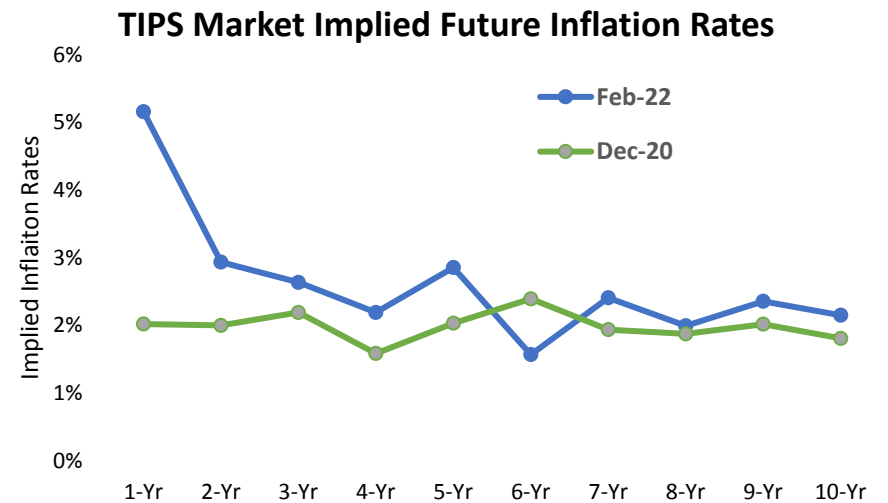
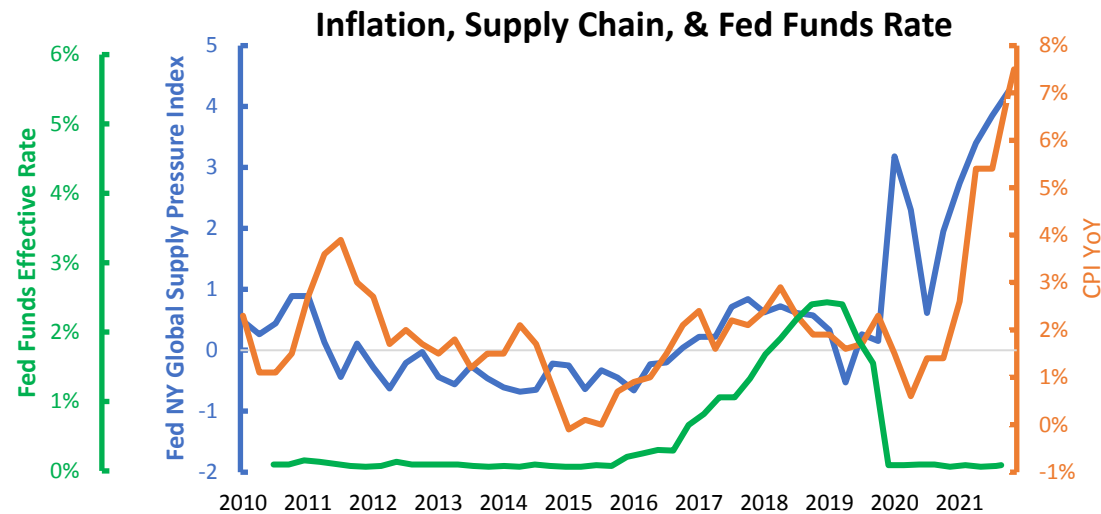
THE CONCORD ADVISORY GROUP, LTD: FEBRUARY 2022 MARKET HIGHLIGHTS

COMMENTARY: “STABLE INFLATION – SINE QUA NON”

Stable inflation is the sine qua non of economic and market stability. With controlled and predictable prices comes central bank policy certainty, confident consumers, and happy investors. Periods of higher inflation, and its opposite - deflation, are fraught with market volatility, weary consumers and skittish investors.

“Too much money chasing too few goods” is the classic description of the root cause of inflation, but the puzzle that faces the Federal Reserve is that it is unclear if today’s inflation is due to excess money supply growth or supply chain bottlenecks. The money supply (M2) has seen an unprecedented 42% growth over the last two years. At the same time, as anyone who does grocery shopping can attest, the recent inflation coincides with supply chain problems. Over the last decade, the near-zero-percent Fed Funds Rate, the policy tool that the Fed is expected to adjust higher five or six times in 2022, has not seemed to be inflationary (chart 1).

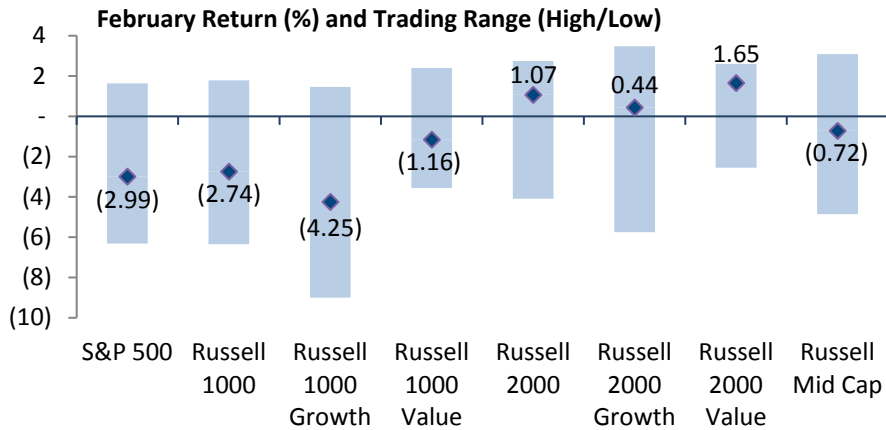
The higher-than-expected inflation is putting the Fed in a precarious situation, one it brought upon itself by overriding free market interest rates and pumping too much stimulus into markets. If they overtighten, which is possible as the bond market believes the surge in prices to only be temporary (chart 2), they could cause deflation, a bear market in stocks, and a recession. If they do not tighten enough, inflation could cause more damage to the economy and consumers. Until inflation stabilizes, the chances of a policy error that negatively impacts investment markets is the biggest worry.



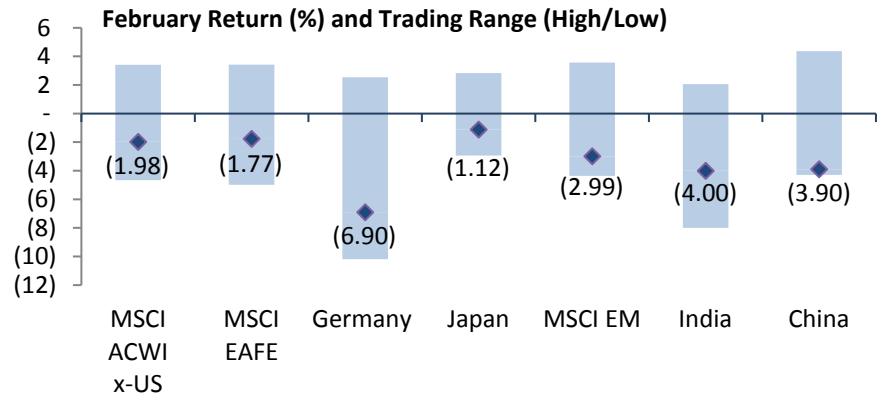
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MONTHLY CHARTS

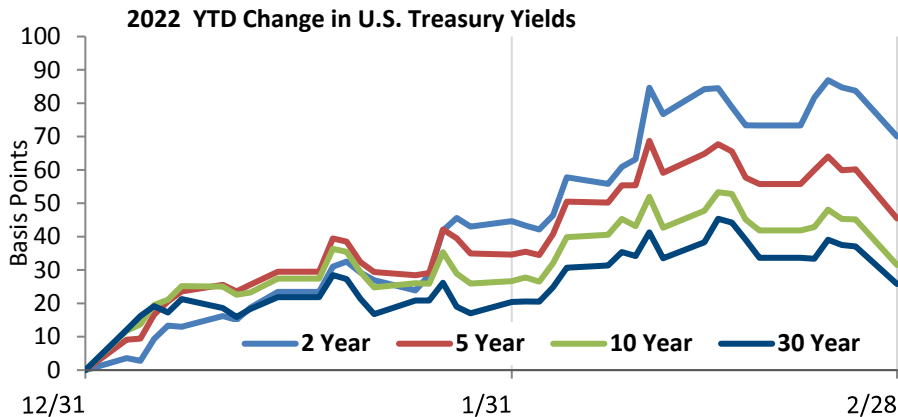
U.S. Equities: U.S. equities were volatile in February. Stocks initially declined on potential interest rate hikes, but after the Russian invasion of Ukraine, prospects for an initial 50bps increase in rates dissipated.



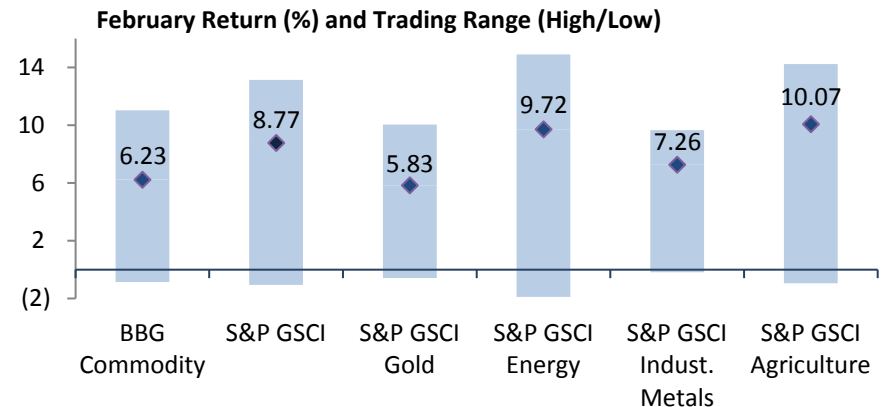
International Equities: Non-U.S. equities fared a similar fate as domestic stocks. Both developed and emerging Europe were harder hit by sanctions resulting from the Russian aggression.



Fixed Income: Fixed income markets experienced declines, broadly, as yields moved higher, and credit spreads widened in February. In investment-grade, lower quality and longer maturity underperformed.



Commodities: Broad commodities prices were positive during the month, led by gains in Energy. The invasion provided a bid for gold.

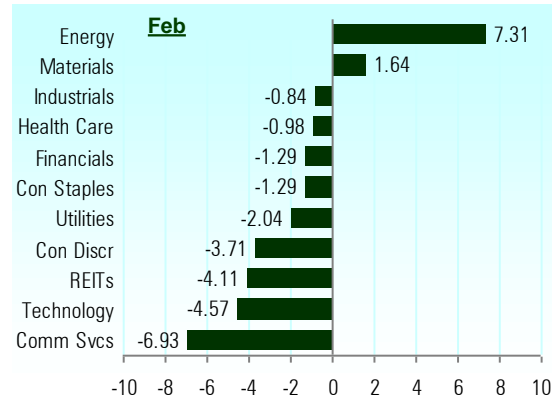


Concord Advisory Group: February 2022 Market Performance

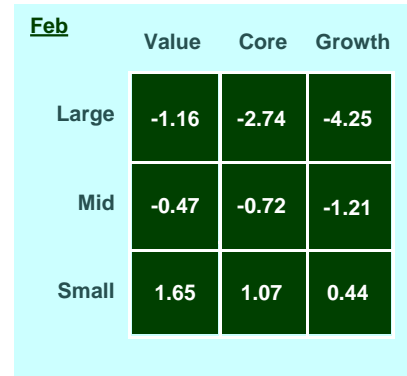
Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	-2.99%	-3.89%	-8.01%	16.39%	18.25%	15.17%
Russell 1000	-2.74%	-4.51%	-8.23%	13.72%	18.08%	15.07%
Russell 1000 Growth	-4.25%	-10.61%	-12.47%	12.55%	23.18%	20.24%
Russell 1000 Value	-1.16%	2.63%	-3.46%	14.99%	12.22%	9.46%
Russell MidCap	-0.72%	-4.28%	-8.03%	7.07%	14.26%	12.02%
Russell 2000	1.07%	-6.62%	-8.66%	-6.01%	10.50%	9.50%
Russell 2000 Growth	0.44%	-12.64%	-13.03%	-17.40%	9.22%	10.49%
Russell 2000 Value	1.65%	-0.37%	-4.27%	6.63%	10.91%	7.97%
MSCI ACWI	-2.58%	-3.66%	-7.37%	7.81%	13.42%	11.44%
MSCI World	-2.53%	-3.74%	-7.69%	10.74%	14.44%	12.05%
MSCI ACWI Ex-US	-1.98%	-1.69%	-5.59%	-0.40%	7.67%	7.26%
MSCI EAFE	-1.77%	-1.73%	-6.52%	2.83%	7.78%	7.16%
MSCI EM	-2.99%	-3.04%	-4.83%	-10.69%	6.04%	6.99%
Bloomberg Commodity	6.23%	19.63%	15.56%	34.43%	12.89%	6.63%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	-1.12%	-3.49%	-3.25%	-2.64%	3.30%	2.71%
Bloomberg Global Aggregate	-1.19%	-3.35%	-3.21%	-5.32%	2.15%	2.36%
Bloomberg Intermediate Aggregate	-0.78%	-2.35%	-2.24%	-2.60%	2.52%	2.20%
Bloomberg Universal	-1.36%	-3.59%	-3.53%	-2.73%	3.39%	2.86%
Bloomberg Government	-0.66%	-3.01%	-2.52%	-2.12%	3.11%	2.40%
Bloomberg Credit	-1.89%	-5.11%	-5.03%	-3.25%	4.52%	3.68%
Bloomberg Municipal	-0.36%	-2.93%	-3.09%	-0.66%	3.20%	3.25%
Bloomberg High Yield	-1.03%	-1.93%	-3.73%	0.64%	5.31%	4.88%
Bloomberg Mortgage	-0.97%	-2.52%	-2.44%	-2.88%	1.93%	1.90%
Bloomberg 1-3 Yr Gov/Credit	-0.44%	-1.30%	-1.15%	-1.62%	1.70%	1.55%
FTSE 3-Month Treasury Bill	0.01%	0.02%	0.01%	0.05%	0.83%	1.10%
FTSE World Govt Bond	-1.06%	-3.75%	-3.15%	-6.47%	1.50%	2.01%
Bloomberg U.S. TIPS	0.85%	-0.87%	-1.19%	6.06%	7.54%	4.82%
BofAML Invest Grade Convertible	-1.78%	-0.23%	-3.93%	5.03%	9.15%	10.59%

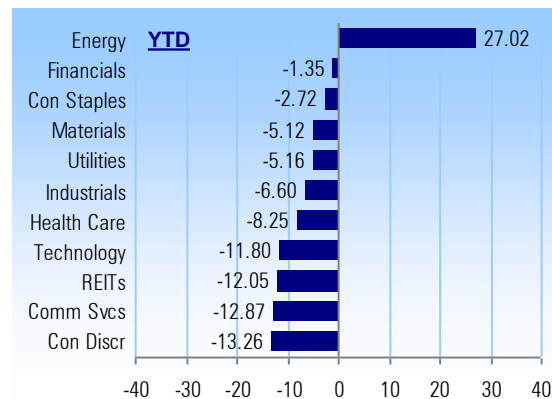
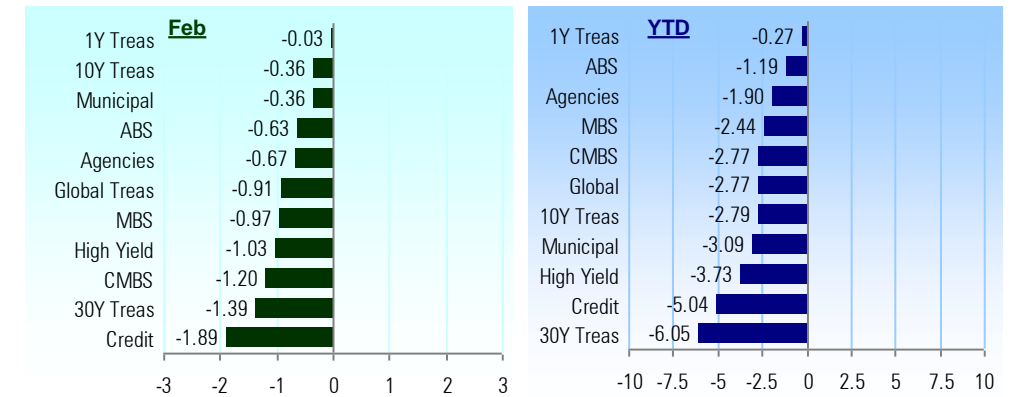
Equity Sector Returns (%)



Equity Style Returns (%)



Fixed Income Sector Returns (%)



Treasury Yield Curve

