



# **THE CONCORD ADVISORY GROUP, LTD.**

*Institutional Investment Consulting Services*

## ***MARCH 2022 MARKET HIGHLIGHTS***

***“EVERY QUARTER-POINT MATTERS”***

# THE CONCORD ADVISORY GROUP, LTD: MARCH 2022 MARKET HIGHLIGHTS

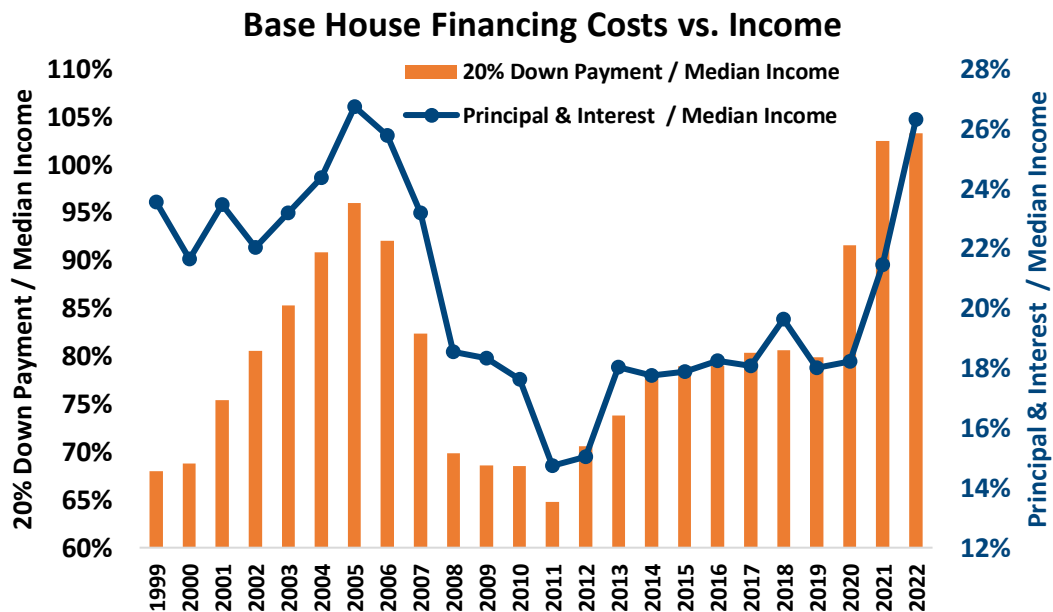
## COMMENTARY: “EVERY QUARTER-POINT MATTERS”

The Federal Reserve went from “not even thinking about thinking about raising rates” in 2020, to talking about raising rates in 2021, and last month actually raised rates. This marks an inflection point where the monetary authority has stopped supporting asset valuations and may start curbing them. The Fed’s goal is to engineer a “soft landing,” raising rates just enough to stop the economy from overheating and moderating inflation without causing a recession. However, since the U.S. economy has accumulated \$30 trillion in government debt and another \$15 trillion in consumer debt, it is difficult to tighten policy without consequences.

The housing market is among the most sensitive to changes in yields. The Fed’s low interest rate policies, including purchasing \$2.7 trillion in mortgage debt (an amazing 25% of the total mortgage market) lowered mortgage rates and allowed families to pay (finance) higher and higher sums for their houses, pushing prices way up. In 1999, mortgage rates were much higher than today, over 7%, and the median house value was 3.4 times the median household income; today that ratio stands at 5.1x. Since the pandemic, house prices have risen 28 percent, and gains last year were so large that the average house appreciated more than the U.S. median individual income.

Now the Fed is attempting to reverse its easy money policies and the first repercussion are starting to show. Year-to-date, 30-year mortgage rates rose from 3.3% to 4.9%. Calculating median house affordability numbers, principal and interest payments are 26% of household income and down payments are over a full-year’s pre-tax income. For first-time buyers, a house has never been less affordable.

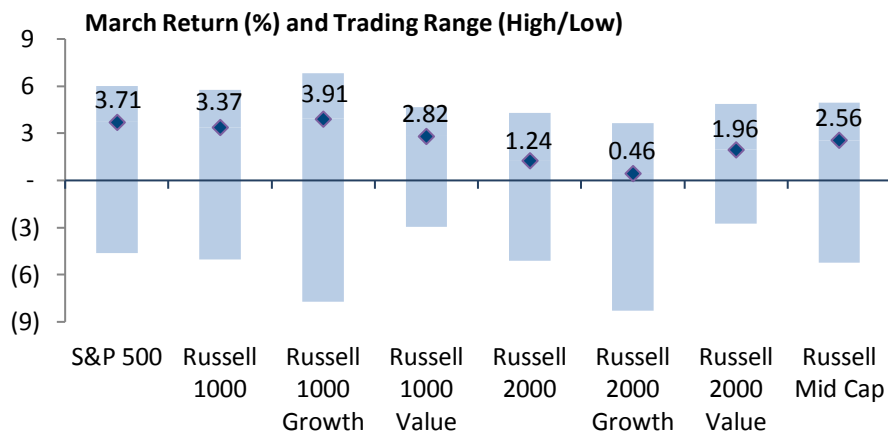
If the Fed continues on its path to raise rates seven times in 2022, it is only a matter of time before the unaffordability of housing starts to impact home prices. Higher rates could also hurt stocks, where low bond yields encouraged many investors to sell bonds and buy stocks. One must think the Fed Governors are looking for clues from stock and housing prices to see how much they can raise rates without hurting asset prices. Based on how quickly the affordability of housing just dropped after only one rate increase, the Fed might find it difficult to raise rates as much as they desire.



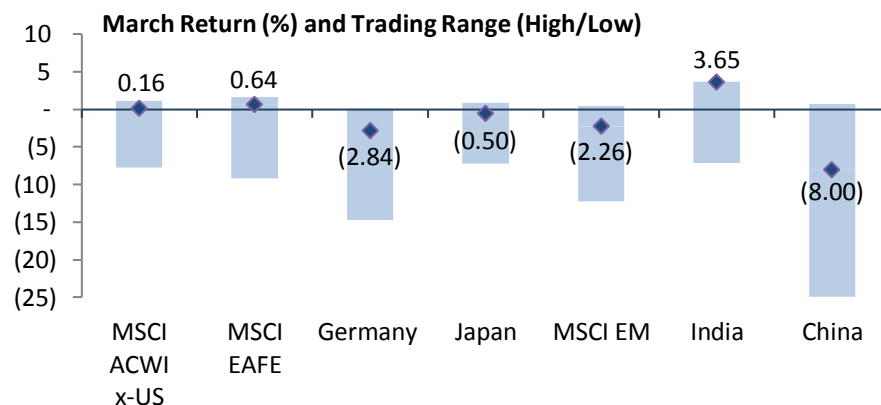
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## MONTHLY CHARTS

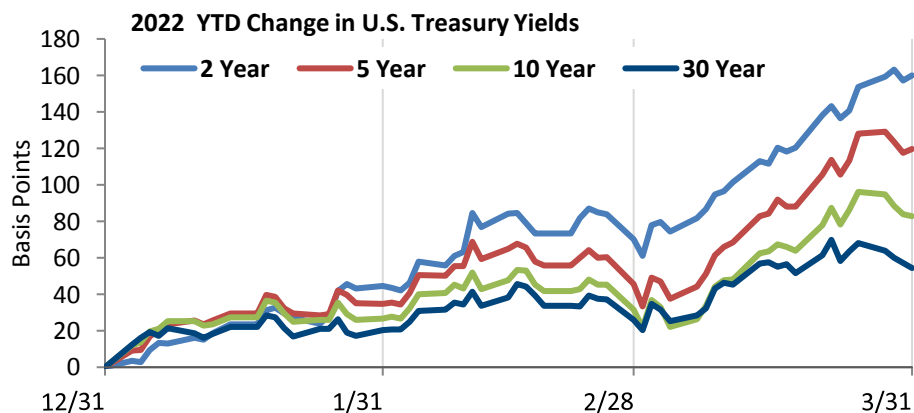
**U.S. Equities:** U.S. equity markets gained during March, shrugging off a Russian-Ukraine war, high inflation and a rate increase from the Federal Reserve.



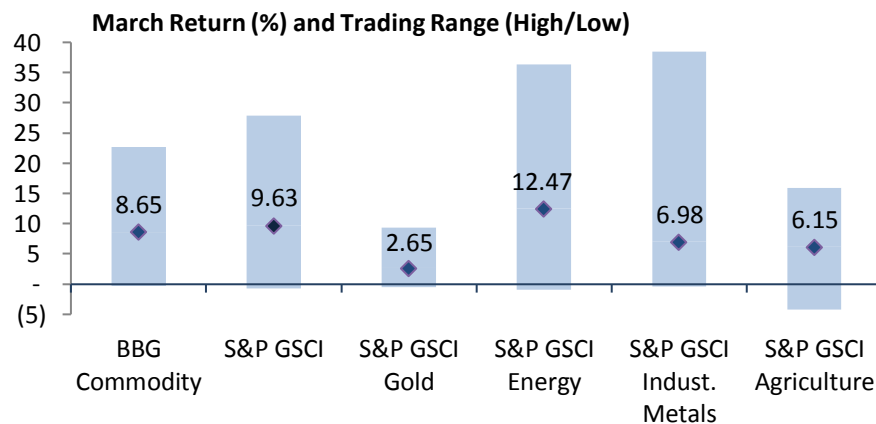
**International Equities:** Developed non-U.S. equities were positive, while emerging markets experienced losses following a sharp decline and subsequent removal of Russian markets from broad equity indices.



**Fixed Income:** Higher yields, notably on the short-end of the yield curve, prompted by an inverted yield curve and declines across all broad sectors.



**Commodities:** Commodities prices moved higher in March, led again by Energy amidst tightness in oil supply due to the conflict in Ukraine and global sanctions imposed on Russia.

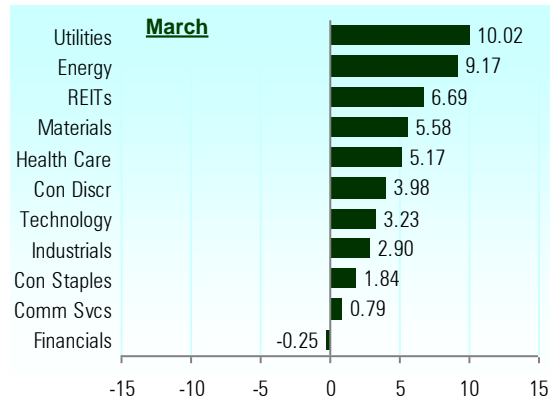


# Concord Advisory Group: March 2022 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	3.71%	-4.60%	-4.60%	15.64%	18.93%	15.99%
Russell 1000	3.37%	-5.13%	-5.13%	13.27%	18.71%	15.82%
Russell 1000 Growth	3.91%	-9.04%	-9.04%	14.98%	23.60%	20.89%
Russell 1000 Value	2.82%	-0.74%	-0.74%	11.67%	13.03%	10.29%
Russell MidCap	2.56%	-5.68%	-5.68%	6.92%	14.90%	12.62%
Russell 2000	1.24%	-7.53%	-7.53%	-5.79%	11.74%	9.74%
Russell 2000 Growth	0.46%	-12.62%	-12.62%	-14.32%	9.89%	10.33%
Russell 2000 Value	1.96%	-2.40%	-2.40%	3.33%	12.73%	8.57%
MSCI ACWI	2.17%	-5.36%	-5.36%	7.28%	13.76%	11.65%
MSCI World	2.74%	-5.16%	-5.16%	10.12%	14.98%	12.42%
MSCI ACWI Ex-US	0.16%	-5.44%	-5.44%	-1.48%	7.51%	6.76%
MSCI EAFE	0.64%	-5.92%	-5.92%	1.16%	7.78%	6.72%
MSCI EM	-2.26%	-6.98%	-6.98%	-11.37%	4.94%	5.98%
Bloomberg Commodity	8.65%	25.55%	25.55%	49.26%	16.12%	9.00%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	-2.78%	-5.94%	-5.94%	-4.15%	1.69%	2.14%
Bloomberg Global Aggregate	-3.05%	-6.17%	-6.17%	-6.41%	0.69%	1.69%
Bloomberg Intermediate Aggregate	-2.51%	-4.69%	-4.69%	-4.38%	1.19%	1.67%
Bloomberg Universal	-2.68%	-6.11%	-6.11%	-4.22%	1.85%	2.31%
Bloomberg Government	-3.09%	-5.53%	-5.53%	-3.69%	1.40%	1.76%
Bloomberg Credit	-2.51%	-7.42%	-7.42%	-4.15%	2.81%	3.18%
Bloomberg Municipal	-3.24%	-6.23%	-6.23%	-4.47%	1.54%	2.52%
Bloomberg High Yield	-1.15%	-4.84%	-4.84%	-0.66%	4.58%	4.69%
Bloomberg Mortgage	-2.60%	-4.97%	-4.97%	-4.92%	0.55%	1.36%
Bloomberg 1-3 Yr Gov/Credit	-1.36%	-2.49%	-2.49%	-2.91%	1.02%	1.26%
FTSE 3-Month Treasury Bill	0.02%	0.03%	0.03%	0.06%	0.76%	1.09%
FTSE World Govt Bond	-3.42%	-6.46%	-6.46%	-7.74%	-0.09%	1.27%
Bloomberg U.S. TIPS	-1.86%	-3.02%	-3.02%	4.29%	6.22%	4.44%
BofAML Invest Grade Convertible	1.80%	-2.20%	-2.20%	4.42%	9.51%	10.72%

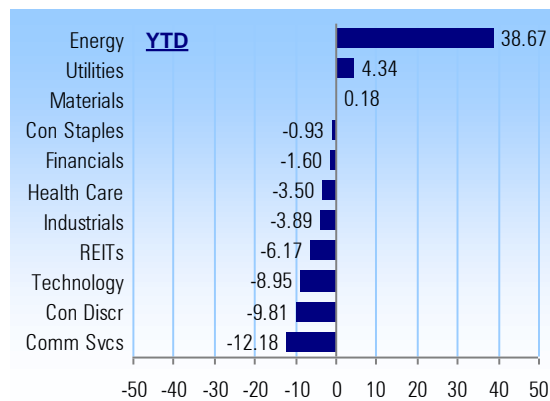
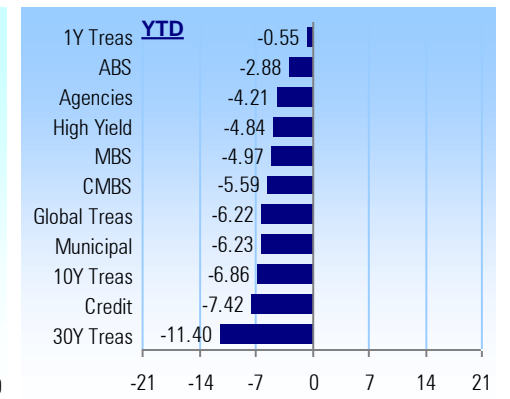
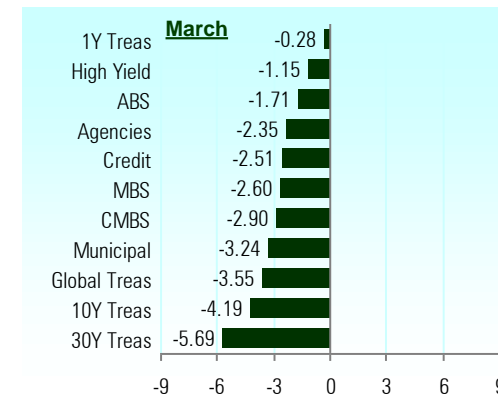
## Equity Sector Returns (%)



## Equity Style Returns (%)

Style	Value	Core	Growth
Large	2.82	3.37	3.91
Mid	3.04	2.56	1.61
Small	1.96	1.24	0.46

## Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	-0.74	-5.13	-9.04
Mid	-1.82	-5.68	-12.58
Small	-2.40	-7.53	-12.62

## Treasury Yield Curve

