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Good Afternoon,

Stocks rallied last week after declining the prior four in a row. Does the rally signal the stock correction is over, or is this just a pause before the next leg down? No one knows for sure, but it is clear that last week many investors couldn't resist buying great companies at 10-20% discounts from the beginning of the year. Discounting Russia's war on Ukraine, market watchers remain focused on inflation data, especially gas prices, and interest rates.

Regarding interest rates, bond yields continue to rise, putting pressure on bond prices. Falling bond prices have been frustrating to advisors and clients who rely on fixed income securities to provide income, diversification, and stability to portfolios. While Federal Reserve has only increased the Fed Funds rate by ¼%, yields on short and intermediate Treasuries rates have risen much more sharply as the bond market tries to anticipate the full impacts of inflation. Eventually, bond investors will benefit from higher income yields on their holdings, and savers may see some actual return on bank accounts.

Gas prices have climbed nearly \$1.50 per gallon over the past year. While some lay the blame at the feet of the Biden administration, the reality is more complicated. About half of the increase (80 cents per gallon) has occurred since Russia invaded Ukraine, and the other half prior. In February 2020, just before COVID shut down the economy, the US was producing over 13 million barrels of oil per day. By September 2020, that number had dropped to 9.7 million barrels per day (a 25% decline) as lack of demand sent the price of gas and oil tumbling. And while demand is now near pre-COVID levels, US production is not (currently 11.5 million barrels per day). It's the same story across the globe, and this supply/demand imbalance is the biggest factor in the skyrocketing cost of gasoline – not the Biden administration's cancelling of potential new oil production leases on Federal Park lands.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week,

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