



Market Commentary, First Quarter 2022

April 8th, 2022

In this Newsletter:

- **Market Commentary- After 2 Years of Market Gains, A Down Quarter**
- **Focus on Phillips – Nicole Gatchel**

Market Commentary – After 2 Years of Market Gains, A Down Quarter

It is hard to believe that it has been 2 years since the COVID-19 pandemic began, impacting lives and creating financial market disruptions. Since that date financial markets have strongly recovered with most stock indexes reaching new record levels. With any sustained market gains, a period of correction is to be expected. We certainly experienced that in the first quarter, with the widely followed S&P 500 Index down 4.6%, for example.

The war in Ukraine certainly impacted quarterly results, particularly noticeable in the returns for international developed (EAFE) and emerging markets, with returns down 5.9% and 7.0% respectively.

The other large contributing factor in markets this quarter was inflation, impacting both stocks and bonds. Over a long-term investment horizon, stocks have generally demonstrated to be an effective hedge against inflation. However, sudden surges in inflation can prove negative in the short term. When coupled with the war in Ukraine, continuing supply chain issues and some fears of recession, a downturn in the stock market should be expected.

With bond investments, inflation was even more impactful in the quarter. For some time now we have been expecting the Federal Reserve to systematically raise short-term interest rates as a tool to help control inflation. In March, the first of what is expected to be several increases over the next few quarters occurred. For many years now we have operated in an environment of declining interest rates and bond yields, culminating in a recent period of record low rates and yields. When rates and yields move higher, which is now occurring, bond prices drop, resulting in the possibility of negative total returns. The benchmark Bloomberg US Aggregate Bond Index, which tracks the overall domestic investment grade bond market, reflected a negative total return of almost 6% for the quarter, continuing a trend begun last year.

For clients with taxable accounts in portfolios, Phillips may have recommended tax loss harvesting in the past for stock fund positions that had negative returns due to market conditions since purchase. With the current bond environment, similar opportunities may exist with some fixed income investments. Your Phillips Financial advisor would be happy to discuss these options relating to your portfolio.



Commodities is another area that inflation is often impacted by performance, both over long- and short-term time horizons. The recent large increases in oil prices along with some precious metals is reflected in the Bloomberg Commodity Index returning over 25% for the quarter and almost 50% over the last 12 months. To keep this recent performance in perspective, over the last 10-15 years the cumulative average performance has been negative as inflation levels over this more extended period were very low.

We should continue to expect both volatility and the unexpected. Geopolitical events remain unsettled and uncertain inflationary trends can impact market performance. In general, we encourage our clients to “stay the course” and not make decisions to change investment strategies based on current domestic or international events or circumstances. That said, if you have any questions or concerns about your investment portfolio and the impacts of inflation, asset allocation and tax loss harvesting, as always, your Phillips Financial advisor is available to discuss your situation with you.

Index	% Last Quarter Return 1/1/22 - 3/31/22	% Year-to-Date Return 1/1/22 - 3/31/22	% Cumulative 1 Year Avg. 4/1/21 - 3/31/22	% Cumulative 3 Year Avg. 4/1/19 - 3/31/22	% Cumulative 5 Year Avg. 4/1/17 - 3/31/22	% Cumulative 10 Year Avg. 4/1/12 - 3/31/22	% Cumulative 15 Year Avg. 4/1/07 - 3/31/22
Bloomberg Barclays US Aggregate Bond Index	-5.93%	-5.93%	-4.15%	1.69%	2.14%	2.24%	3.56%
S&P 500 Index	-4.60%	-4.60%	15.65%	18.92%	15.99%	14.64%	10.26%
S&P 500 Value Index	-0.16%	-0.16%	12.58%	14.12%	11.14%	11.89%	7.48%
S&P Mid Cap 400 Index	-4.88%	-4.88%	4.59%	14.14%	11.10%	12.20%	9.67%
S&P Small Cap 600 Index	-5.62%	-5.62%	1.23%	13.58%	10.89%	12.56%	9.50%
S&P Small Cap 600 Value Index	-1.64%	-1.64%	3.73%	13.51%	9.98%	11.96%	8.59%
MSCI EAFE Index	-5.91%	-5.91%	1.16%	7.78%	6.72%	6.27%	2.91%
MSCI Emerging Markets Index	-6.97%	-6.97%	-11.37%	4.94%	5.98%	3.36%	3.79%
Dow Jones US Select REIT Index	-3.71%	-3.71%	27.72%	9.90%	8.89%	9.17%	5.75%
Bloomberg Commodity Index	25.55%	25.55%	49.25%	16.12%	9.00%	-0.70%	-1.40%

Source: Standard & Poor’s, Bloomberg, Morgan Stanley Capital International, Dow Jones, & Morningstar.

Green = best performing asset class

Red = worst performing asset class

Index returns are for illustrative purposes only, and do not reflect any management fees, transaction costs or expenses. The performance of an unmanaged index is not indicative of the performance of any particular investment. It is not possible to invest directly in any index. Past performance is no guarantee of future results.

Definitions and Disclosures:

Bloomberg Barclays Aggregate Bond Index. An index managed by Bloomberg to track the general performance of the domestic taxable investment grade bond market.

S&P 500 Index. An index that measures the large-capitalization sector including roughly 500 leading companies representing over 80% of the largest market capitalization in the U.S. equity markets. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor’s for liquidity and industry group representation.



S&P 500 Value Index. Contains those securities from the S&P 500 Index with lower-than-average sales and growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.

S&P MidCap 400 Index. An index that measures the mid-capitalization sector including roughly 400 leading companies representing about 7% of the U.S. equity market. It is a capitalization weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

S&P SmallCap 600 Index. An index that measures the small-capitalization sector including roughly 600 leading companies representing about 3% of the U.S. equity market. It is a capitalization-weighted index from a range of securities chosen by Standard & Poor's for liquidity and industry group representation.

S&P SmallCap 600 Value Index. Contains those securities from the S&P SmallCap 600 Index with lower-than-average sales and earnings growth rates and that generally reflect lower price-to-earnings and price-to-book ratios.

MSCI EAFE Index. An index developed by Morgan Stanley Capital International Inc. as an equity benchmark for performance of publicly traded securities in developed international markets.

MSCI Emerging Markets Index. An index developed by Morgan Stanley Capital international Inc. as an equity benchmark for performance of publicly traded securities in emerging markets.

Dow Jones U.S. Select REIT Index. This index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

Bloomberg Commodity Index. An index managed by Bloomberg to provide a diversified, economically rational and liquid benchmark for commodities as an asset class. The index is currently composed of the prices of 22 exchange traded futures contracts on physical commodities.

Phillips Financial Management ("PFM") is an investment adviser registered with the U.S. Securities and Exchange Commission. Registration does not imply a certain level of skill or training. More information about PFM's investment advisory services can be found in its Form ADV Part 2, which is available upon request. PFM-22-01

Focus on Phillips: Nicole Gatchel



Nicole Gatchel has been with Phillips Financial since 2019. "April 15th – tax filing day – to be exact!" she points out. Finances, math, and numbers have always held an appeal for Nicole. She has a bachelor's degree from Trine University where she started as a math education major, then transitioned to a math concentration major.

After graduation she worked for Chase Bank in Indianapolis for a couple of years. It was there she met her husband, Ryan, shortly after he graduated from the police academy in Indianapolis. Ryan returned to continue living and working in Wabash. Eventually, Nicole moved "back north" so they could start their life together. Ryan is now an officer with the Huntington police department.

Nicole worked for another financial firm in Fort Wayne when she moved to the area. "That's where I fell in love with the industry and the type of work I do," she says. In 2015, she received her Financial Paraplanner Qualified Professional (FPQP) designation, which she has kept active with Continuing Education ever since. After five years at the other firm, she learned of an opening at Phillips Financial. "Meeting Rick, Ben, and Shannon during the interview process immediately impressed me with what a great culture exists here," she recalls. She initially worked in client service administration, supporting the insurance and annuity products. Recently, she has moved into the paraplanning role, assisting advisors with preparing deliverables for client meetings.

"I enjoy spending some of my time helping to improve internal processes. I love the planning I do to help the advisors so they can best help their clients. I genuinely like both aspects of my job: the behind the scenes work as well as the opportunities to interact in person with clients," says Nicole.



While studying at Trine, Nicole was on the soccer team and continues to try to make physical fitness a part of her life. “I used to, before the pandemic, regularly train for and run half marathons,” she recalls. But as a mom to a one-year-old daughter, Clara, who has just learned to walk, all of Nicole’s days are naturally quite active. “We also have our two energetic dogs who are our other children – our ‘first born’ and ‘second born,’ as we call them,” laughs Nicole.

The family also loves attending sporting events. “We always enjoy the atmosphere and the competition,” says Nicole. “Clara has already been to an NFL game: the Cincinnati Bengals vs the Minnesota Vikings. My husband is a huge Vikings fan. She’s also been to the Big Ten tournament where we saw IU vs Iowa (Ryan is an IU fan) and Purdue vs Michigan State. I am a Purdue fan and made sure Clara was dressed in her best Purdue outfit! We plan to attend many more games and tournaments in the future.”

“We’re happily pretty focused on family life now -- watching Clara grow, and preparing for the next stage,” explains Nicole. Soon the family will be growing again, with the expected arrival of a baby boy in September! It remains to be seen if he’ll be an IU fan like his dad, or root for Purdue like his mom and sister.

The information contained herein should not be construed as personalized investment advice. There is no guarantee that the views and opinions expressed in this newsletter will come to pass. Investing in the stock market involves risk and may not be suitable for all investors. Information presented herein is subject to change without notice and should not be considered as a solicitation to buy or sell any security. Phillips Financial does not make any representations as to the accuracy, timeliness, suitability, completeness, or relevance of any information prepared by any unaffiliated third party, whether linked to this newsletter or incorporated herein, and takes no responsibility, therefore. All such information is provided solely for convenience purposes only and all users thereof should be guided accordingly.

PHILLIPS  FINANCIAL
A foundation of trust

6920 Pointe Inverness Way, Ste. 230 | Fort Wayne, IN 46804

P: (260) 420-7732 | T: (888) 420-7732 | F: (260) 420-5553

[Phillips Financial Website](#)