

Monthly Market Commentary

As we head into February, it appears that illness is starting to slow from the very tough January. For that, we are thankful! We have one more month of the frigid cold weather before things start to warm up. (This might not be a good thing for those avid snowmobilers and ice fishers!) Overall, we have a lot to look forward to as Spring approaches including baseball games, time spent outdoors, and of course time with family & friends! In the meantime, we hope that you all can remain safe and healthy!

After a streak of strong economic growth over the last year and a half, the economy is starting to show signs of a slowdown from elevated levels, fueled by unprecedented levels of both monetary and fiscal stimulus and Covid induced pent up demand. We remain above trend growth as demand is still strong and supply chain bottlenecks persist; however, the amount of money supply in the system has its own repercussions. One ill effect of which is much higher levels of inflation that have varying implications for different cohorts of the population. Losing control of inflation can create demand destruction quickly as people start to be priced out of the market for various goods. This remains one of the major concerns for policy makers.

As we progress through the year, the need to tame down inflation by the process of policy tightening will have a dampening effect on growth, which itself is already cooling off from peak levels. We believe that markets have started discounting this reality and we may be in the early stages of repricing this shift in policy, growth, and inflation dynamics. Second, on the geopolitical side, new risks have emerged and the risk of escalation remains meaningfully high with the standoff between Russia and Ukraine with no resolution in sight. Considering the current landscape, we deemed it fit to get defensive in our positioning and raised cash as the risk/reward over the next few quarters remains skewed to the downside. As always, we will remain cognizant of the risks and opportunities as they arise and act accordingly.

***** In-person meetings: if you are feeling ill, please call to reschedule your appointment at a later date. *****

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