SCHWARTZ & CO INVESTMENT ADVISORS

INVESTMENT ADVISORS SINCE 1976

3707 W. Maple Rd.
Bloomfield Hills, MI 48301

866.644.2701
www.GJSCO.com

MARKET COMMENTARY

April 1, 2022

Following two years of positive performance, the equity markets produced negative returns for the first quarter of 2022. A combination of trillions of dollars of credit injected into the economy by the federal government with supply chain shortages and pent-up demand by consumers, has put upward pressure on interest rates. Labor markets have been unusually constrained due to federal support of the unemployed though the pandemic, as well as millions of Americans either deciding to retire or leave their jobs in search of different careers.

Bond markets have continued last year's trend, posting negative returns, as the credit markets are pricing in seven interest rate hikes this year. Prolific government spending combined with the Federal Reserve's hawkish tone on inflation has moved the bond market downward. The price of a 30-year fixed mortgage in the United States is now over 4%. Automobiles remain in short supply, as semi-conductor shortages remain. On a positive note, consumers with cash dominate the capital goods sector of the economy. The residential housing market has never experienced so many sales with all cash deals. Many "pocket listings" of homes never make it onto the market and are sold immediately by brokers in house. Many deals sell well over asking, with numerous potential buyers raising the final price by tens of thousands of dollars.

Overseas, Russia's invasion of Ukraine dominates international affairs. The effects of this conflict will be felt, potentially for many months, if not years. Economically, Russia and Ukraine are the world's leading exporter of many commodities including wheat, potash and many rare earth minerals. With sanctions in place against Russia and Ukrainian crops at risk, global food and energy prices are already on the rise with shortages in fertilizer and other items expected this year. Russia is the third largest producer of oil in the world and they are seeking to avoid sanctions.

The Dow Jones Industrial Average closed at 34,678.35, a decrease of 4.6% for the quarter. The S&P 500 ended at 4,530.41, down 4.9%. The NASDAQ decreased 9.1%, resting at 14,220.52. The Bloomberg Aggregate Bond Index closed down 6.1%, the largest decline in 40 years.

Investing requires a long term perspective. This year may require patience.

David Breuhan

Vice President

References to individual stocks or mutual funds do not amount to a recommendation to buy or sell.
Source for data is *The Wall Street Journal.*