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*In this week's recap: Inflation and Ukraine fears present rock and hard place to investors this week.*

# Weekly Economic Update

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*Presented by Ed Papier, February 14, 2022*

## THE WEEK ON WALL STREET

A hot inflation print and the growing concern of a Russian invasion of Ukraine sent stocks tumbling late in the week, leaving major indices lower for the five-trading days.

The Dow Jones Industrial Average skidded 1.00%, while the Standard & Poor's 500 retreated 1.82%. The Nasdaq Composite index slumped 2.18%. The MSCI EAFE index, which tracks developed overseas stock markets, advanced 2.26%.<sup>1,2,3</sup>

## A DOUBLE WHAMMY

Mid-week, a fresh batch of positive corporate earnings surprises lifted investor sentiment, helping stocks claw back losses with technology stocks posting some of the sharpest gains. But January's inflation report, set for release on Thursday morning, remained investors' biggest concern.

When the report hit, it showed accelerating inflation, and stocks dropped and bond yields bounded higher. Stocks managed to recover from the initial reaction to the unexpectedly high inflation number. But when the President of the Federal Reserve Bank of St. Louis commented that the Fed may consider a more aggressive move against inflation, stocks resumed their slide lower. The stock skid accelerated into Friday on White House reports that an invasion of Ukraine by Russian forces may be imminent.<sup>4</sup>

## INFLATION SIZZLES

Prices of consumer goods accelerated in January, rising 0.6% from the previous month and 7.5% year-over-year. This annual inflation rate was the highest since 1982. Core inflation, which excludes the more volatile food and energy prices, was 6.0% higher from last January.<sup>5</sup>

Many economists and market analysts had expected inflation to moderate, but driven by a surge in

prices of used cars, gasoline, and energy, inflation remained at elevated levels. The persistence of inflation at these heights has fueled investor concerns that the Fed might consider a more aggressive 50-basis points increase in short term interest rate.

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Producer Price Index (PPI).

**Wednesday:** Retail Sales. Industrial Production. FOMC Minutes.

**Thursday:** Housing Starts. Jobless Claims.

**Friday:** Existing Home Sales. Index of Leading Economic Indicators.

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## QUOTE OF THE WEEK

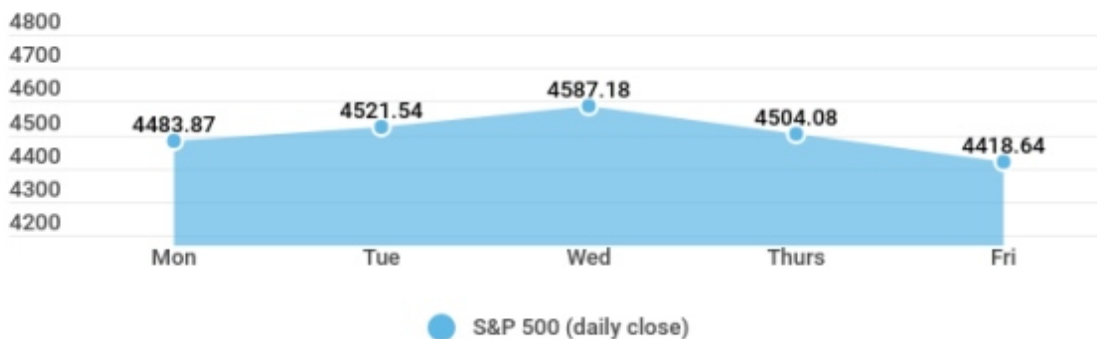


*"We can easily forgive a child who is afraid of the dark; the real tragedy of life is when men are afraid of the light"*

*SOCRATES*

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Market Index	Close	Week	Y-T-D
DJIA	34,738.06	-1.00%	-4.40%
NASDAQ	13,791.15	-2.18%	-11.85%
MSCI-EAFE	2,298.54	+2.26%	-1.61%
S&P 500	4,418.64	-1.82%	-7.29%



	Treasury	Close	Week	Y-T-D
	10-Year Note	1.92%	-0.01%	+0.40%

Sources: The Wall Street Journal, February 11, 2022; Treasury.gov, February 11, 2022  
Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, February 4, to Friday, February 11, close.  
Weekly performance for the MSCI-EAFE is measured from Friday, February 4, open to Thursday, February 10, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

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## The Occasional Musical "OF NOTE": Bach and the Beatles

In the second part of Penny Lane, in which Paul McCartney nostalgically celebrates his childhood and adolescence in Liverpool, a high trumpet sounds. Paul had wished for one in this piece after listening to Bach's *2nd Brandenburg Concerto* broadcast in a BBC TV concert. Paul sang the tune he wanted, and George Martin, the so-called "Fifth Beatle" wrote it down. The trumpet that was then used was not the regular Bach trumpet in D, but a B trumpet tuned one octave higher, a so-called "piccolo trumpet." It is extremely difficult to play, the changes in tone are mainly generated by the player's lips. "Paul had no idea how damned difficult it was to play," remembered George Martin. Paul's response: "He's a piccolo-trumpeter...that's his job." Martin summed it up: "The result was unique, something that had never been done in rock music before, and it gave Penny Lane a very distinct character.

Bach Brandenburg Concerto No. 2 – 3<sup>rd</sup> Movement  
<https://www.youtube.com/watch?v=o1BEDBsSDJw&t=23s>

Penny Lane (Time Stamp 1:10)  
<https://www.youtube.com/watch?v=vfxQ1oDiEJM>

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Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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CITATIONS:

1. The Wall Street Journal, February 11, 2022
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3. The Wall Street Journal, February 11, 2022
4. CNBC, February 10, 2022
5. CNBC, February 10, 2022