Amadeus Wealth Alternatives 1345 Ave. of the Americas 2nd Fl., New York, NY 10105 www.amadeuswealth.com

Amadeus Wealth Alternatives
Your Compass to Alternative Investments

212-697-3930

Edward Papier, CIMA®, CFF

ep@amadeuswealth.com

In this week's recap: Confidence grows in resilient economy.

Weekly Economic Update

Presented by Ed Papier, March 28, 2022

THE WEEK ON WALL STREET

With growing confidence in the economy's resilience, stocks posted another week of solid gains.

The Dow Jones Industrial Average rose 0.31%, while the Standard & Poor's 500 advanced 1.79%. The Nasdaq Composite index picked up 1.98% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, added 0.27%.[1,2,3]

STOCKS EXTEND GAINS

Markets bounced around all week as investors grappled with the crosswinds of rising yields, continued hostilities in Ukraine, and hawkish comments from Fed Chair Jerome Powell. After suffering declines in two of the first three trading sessions of the week, stocks turned higher on a good jobless claims number that investors interpreted as continuing economic strength.

Stocks drifted higher as the week came to a close amid rising bond yields, which on Friday saw the 10-year Treasury yield rise for the 13th time in 16 trading sessions.[4]

LABOR MARKET

Many economists speculated that the invasion of Ukraine would likely shave economic growth in the short term as hostilities worsened supply chains and increased inflationary pressures. The impact, so far, has not been seen in the labor market.

Last week's initial jobless claims fell by 28,000 to 187,000, the lowest level since December 1969. The number of people on state unemployment rolls fell to 1.35 million, from 1.42 million the previous week, while open jobs are at a near-record high of 11.3 million. Employers' need for workers suggests that the demand for products and services has remained resilient despite the events in Eastern Europe.[5]

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Consumer Confidence. JOLTS (Job Openings and Turnover Survey).

Wednesday: Gross Domestic Product (GDP). Automated Data Processing (ADP) Employment Report.

Thursday: Jobless Claims.

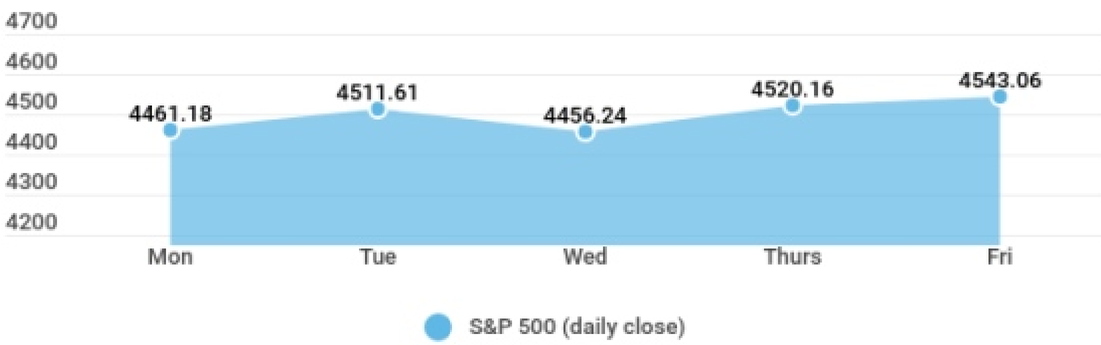
Friday: Employment Situation. Institute for Supply Management (ISM) Manufacturing Index.

QUOTE OF THE WEEK

"Our doubts are traitors, and make us lose the good we oft might win, by fearing to attempt"

WILLIAM SHAKESPEARE

Market Index	Close	Week	Y-T-D
DJIA	34,861.24	+0.31%	-4.06%
NASDAQ	14,169.30	+1.98%	-9.43%
MSCI-EAFE	2,162.50	+0.27%	-7.43%
S&P 500	4,543.06	+1.79%	-4.68%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.48%	+0.34%	+0.96%

Sources: The Wall Street Journal, March 25, 2022; Treasury.gov, March 25, 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, March 18, to Friday, March 25, close. Weekly performance for the MSCI-EAFE is measured from Friday, March 18, open to Thursday, March 24, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

OF NOTE:

The expected return from a roulette spin is negative: -5.26%. An operation that has a negative expected return is not an investment. It's not even an intelligent speculation. It's simply a gamble. Of course, you might get lucky, but on average you won't. If you insist on playing anyway, the last useful resort is to follow the advice of Baltasar Gracián y Morales: "Quit while you're ahead. All the best gamblers do."

Why are you taking market risk? Whether you're investing for yourself, or you're a member of an investment committee making decisions for a pension fund or charitable organization, you're responsible for asking that question. The natural answer is that you expect positive and adequate investment returns to compensate you for the risk. The next questions are then a) on what *basis* do you expect that investment return? and b) on what basis do you believe that the expected return is *adequate* and proportionate to the risk you're accepting?

In their classic 1934 text, *Security Analysis*, Benjamin Graham and David Dodd described "investment" as buying a security at a valuation that is associated with a reasonable expectation of acceptable long-term returns, based on a careful analysis of the relationship between the current price and expected future cash flows. In contrast, "speculation" means buying a security on the expectation that its price will advance. If you are not using well-defined and historically reliable valuation measures as a basis for investment, and you don't have a well-defined and historically validated basis on which to expect speculative behavior from other investors, you're probably gambling.

According to John Hussman (sometimes referred to as a "perma-bear"), "Regardless of which measure you choose, you'll find that the estimated 12-year average annual total return for the S&P 500 is *negative* based on the current level of valuations relative to their historical norms." Here is a link to his complete commentary:[6]

https://www.hussmanfunds.com/comment/mc220325/

Ed Papier may be reached at 2126973930 or ep@amadeuswealth.com
www.amadeuswealth.com

Know someone who could use information like this?
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.)

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.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, March 25, 2022
2. The Wall Street Journal, March 25, 2022
3. The Wall Street Journal, March 25, 2022
4. The Wall Street Journal, March 25, 2022
5. The Wall Street Journal, March 24, 2022
6. hussmanfunds.com/comment/mc220325/