

# Market Update

April 8, 2022

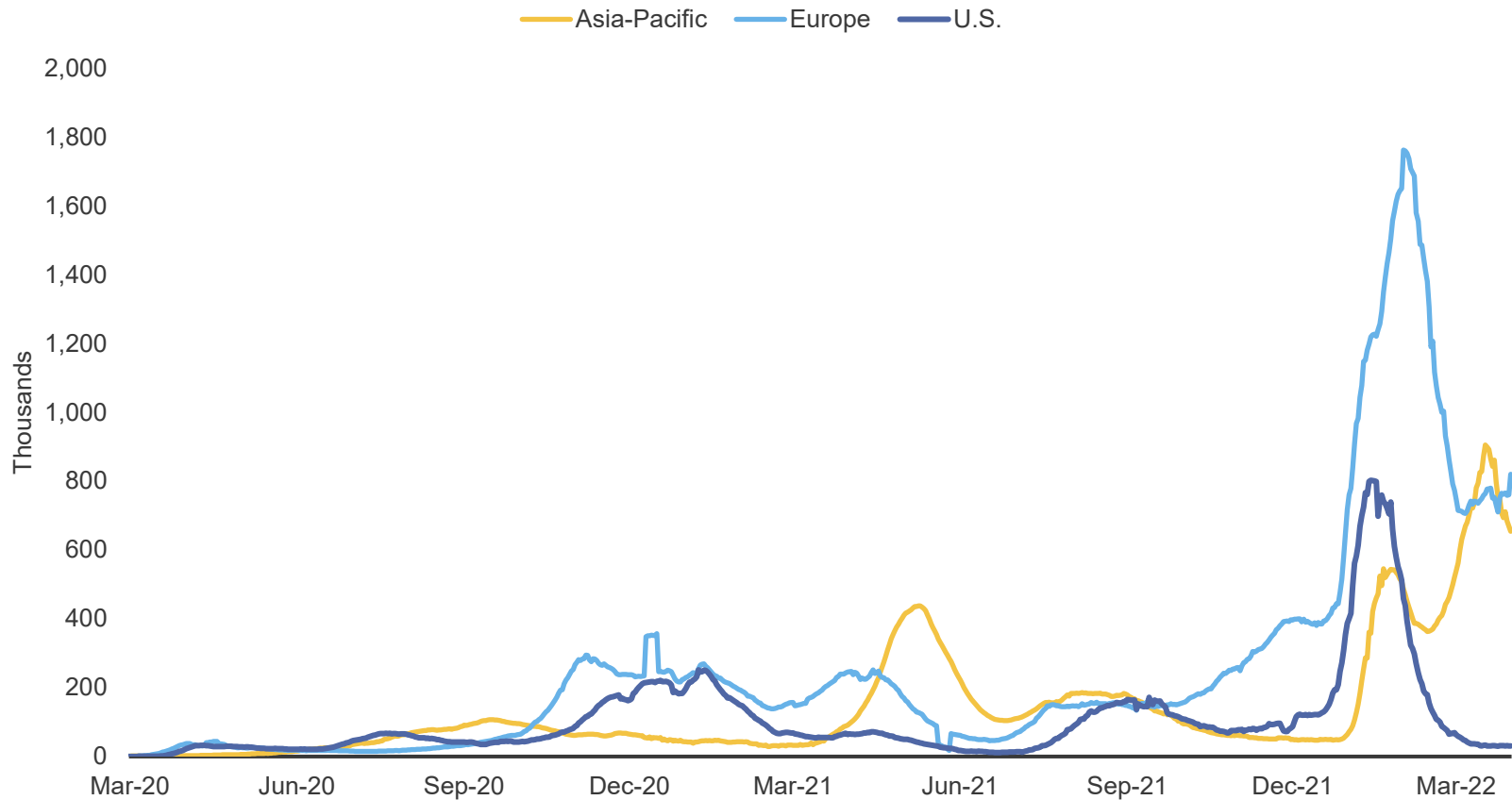
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*PFM Asset Management LLC*

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# Domestic COVID Cases Have Subsided; Cases Remain High in Europe & Asia-Pacific

## U.S. New Cases Reported Daily 7-Day Moving Average

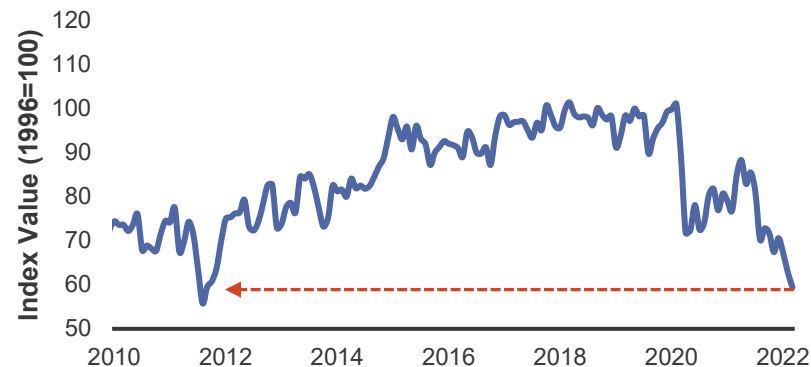


Source: Bloomberg, as of 3/31/2022.

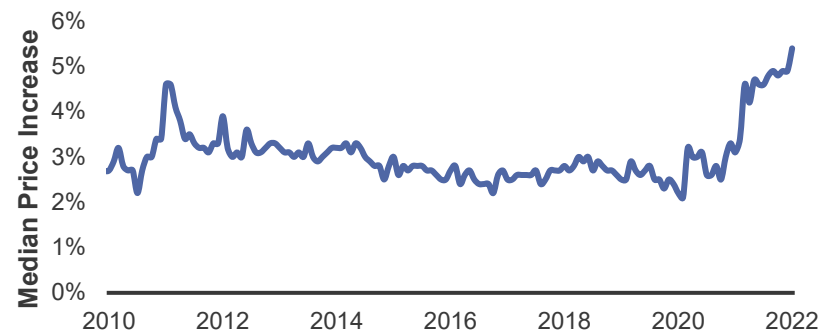
# Consumer Sentiment Sinks Further in March 2022

- Consumer sentiment remained largely unchanged in late March at the same decade low recorded mid month. Inflation has been the primary cause of rising pessimism, with an expected year-ahead inflation rate at 5.4%, the highest since November 1981.
- When asked to explain changes in their finances in their own words, more consumers mentioned reduced living standards due to rising inflation than any other time except during the two worst recessions in the past fifty years: from March 1979 to April 1981, and from May to October 2008.
- Moreover, 32% of all consumers expected their overall financial position to worsen in the year ahead, the highest recorded level since the surveys started in the mid-1940s.
- The combination of rising prices and less positive income expectations meant that half of all households anticipated declines in inflation-adjusted incomes in the year ahead. The sole area of the economy about which consumers were still optimistic was the strong job market. Consumers anticipated in March that during the year ahead it was more likely that the unemployment rate would post further declines than increases.

## Index of Consumer Sentiment

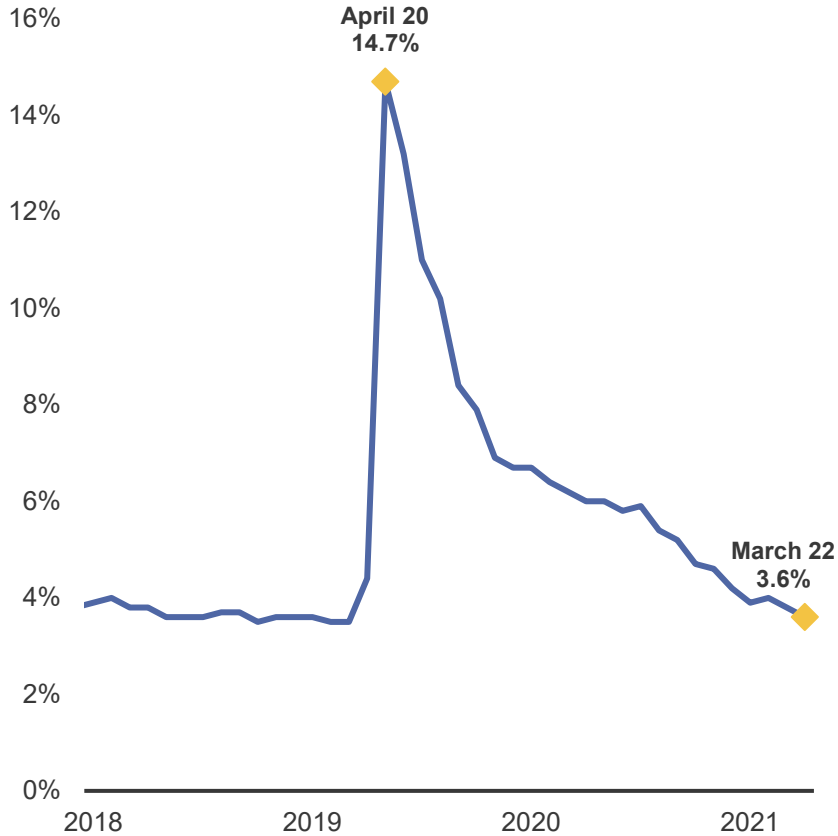


## Expected Change in Prices During Next Year

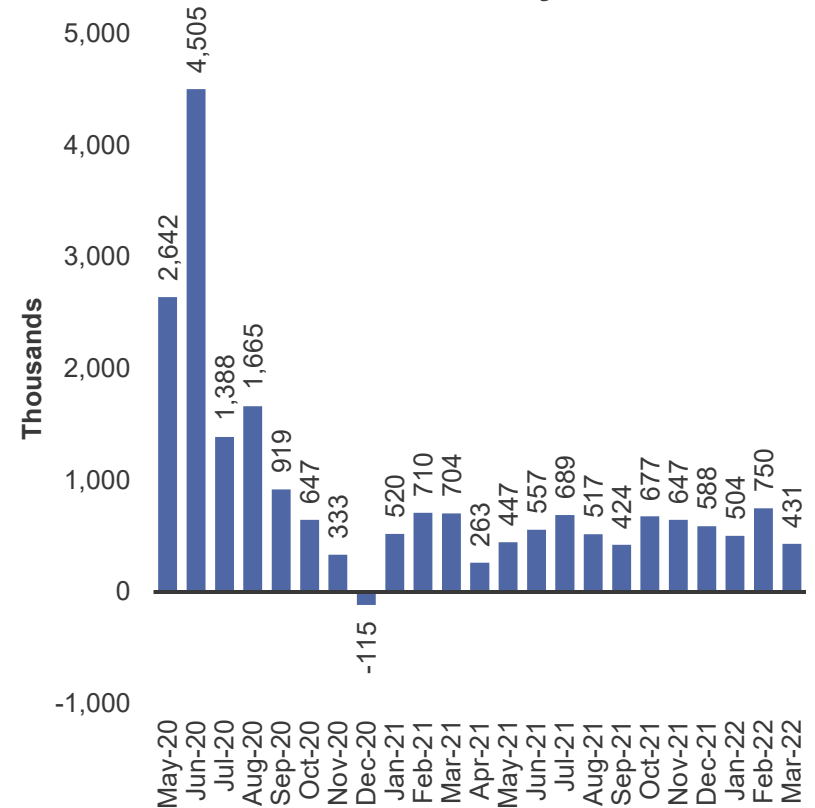


# U.S. Economy Added 431,000 Jobs in March; Unemployment Rate Falls to 3.6%

## Unemployment Rate



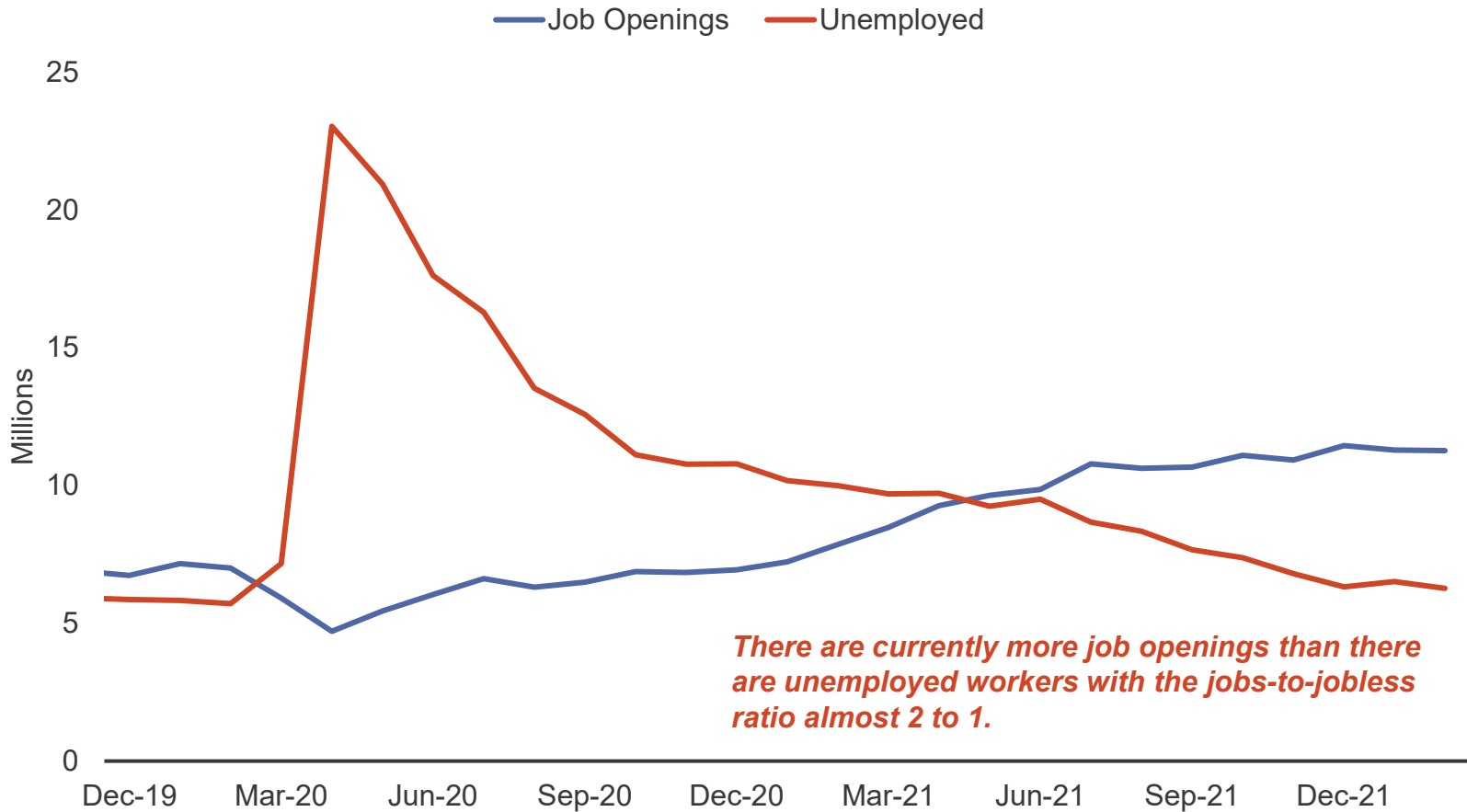
## Monthly Change In Nonfarm Payrolls



Source: Bloomberg, as of March 2022. Data is seasonally adjusted.

# Job Openings Remain High as Businesses Struggle to Find Workers

## Job Openings vs. Unemployed Workers



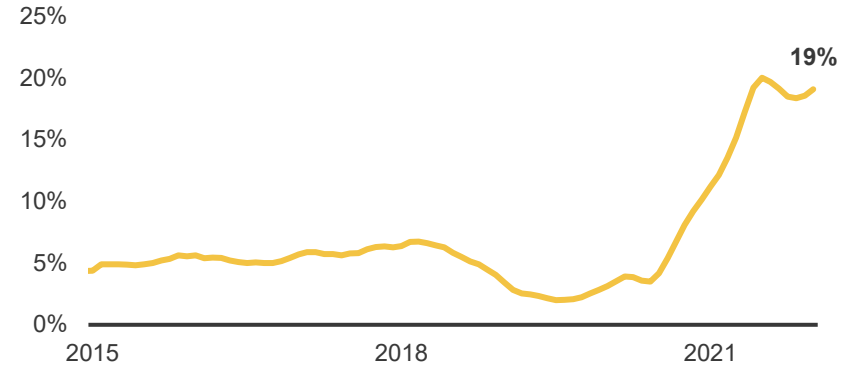
Source: JOLTS and BLS, as of February 2022.

# Housing Still Strong, But Rising Rates, Low Inventory and Elevated Prices Are a Risk

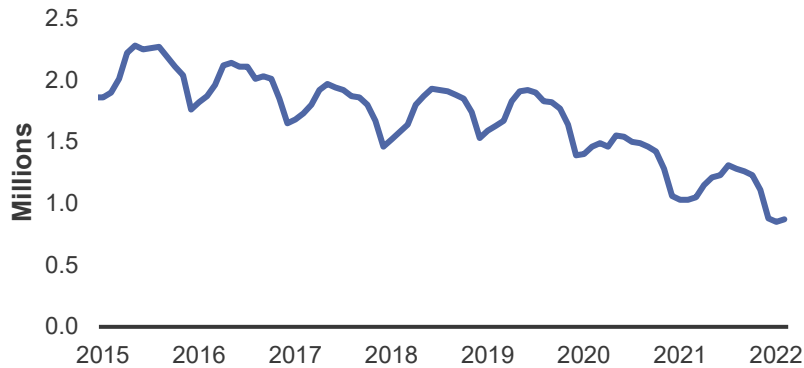
### US Mortgage 30-Year Commitment Rates



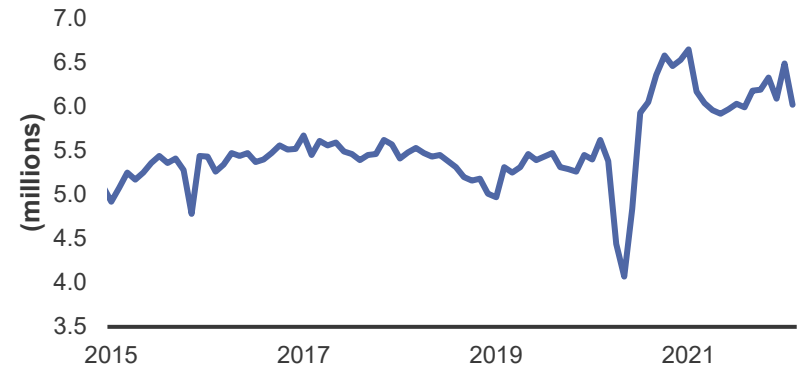
### Change in National Home Price Index (YoY)



### Existing Home Sales Inventory



### Existing Home Sales (SAAR)



Source: Bloomberg, Freddie Mac Commitment Rates (top left), as of 3/31/2022. S&P/Case-Shiller (top right), National Association of REALTORS (bottom right). Most recent data as of March 2022.

# Commodity Prices Remain High

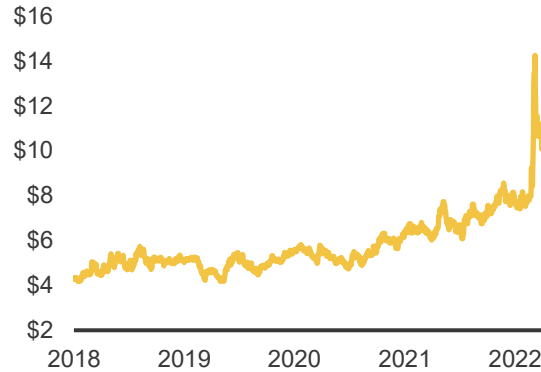
## Energy

WTI Crude Oil (per barrel)



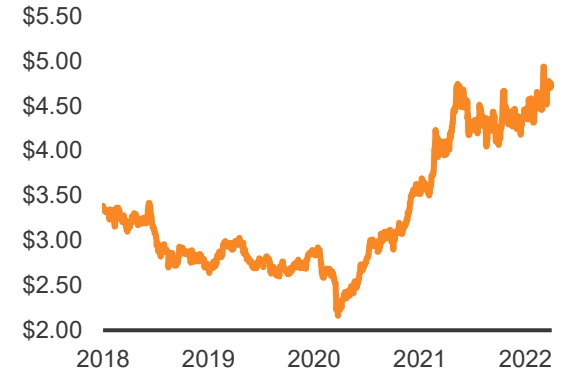
## Agriculture

Wheat (per bushel)

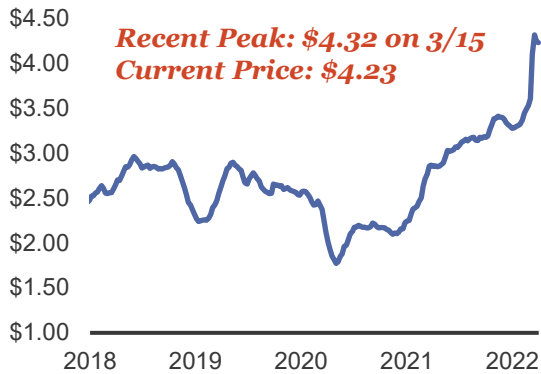


## Industrial Metals

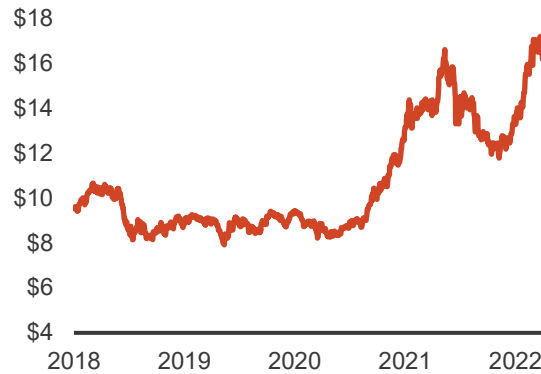
Copper (per lb.)



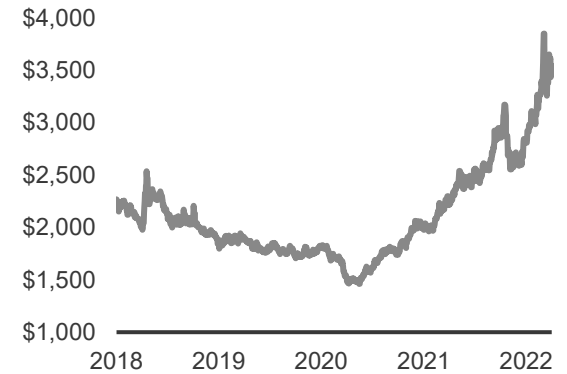
Retail Gasoline (per gallon)



Soybean (per bushel)



Aluminum (per metric ton)



Source: Bloomberg, as of 4/01/2022.

# Russia/Ukraine: Small Economies with Larger Global Impact

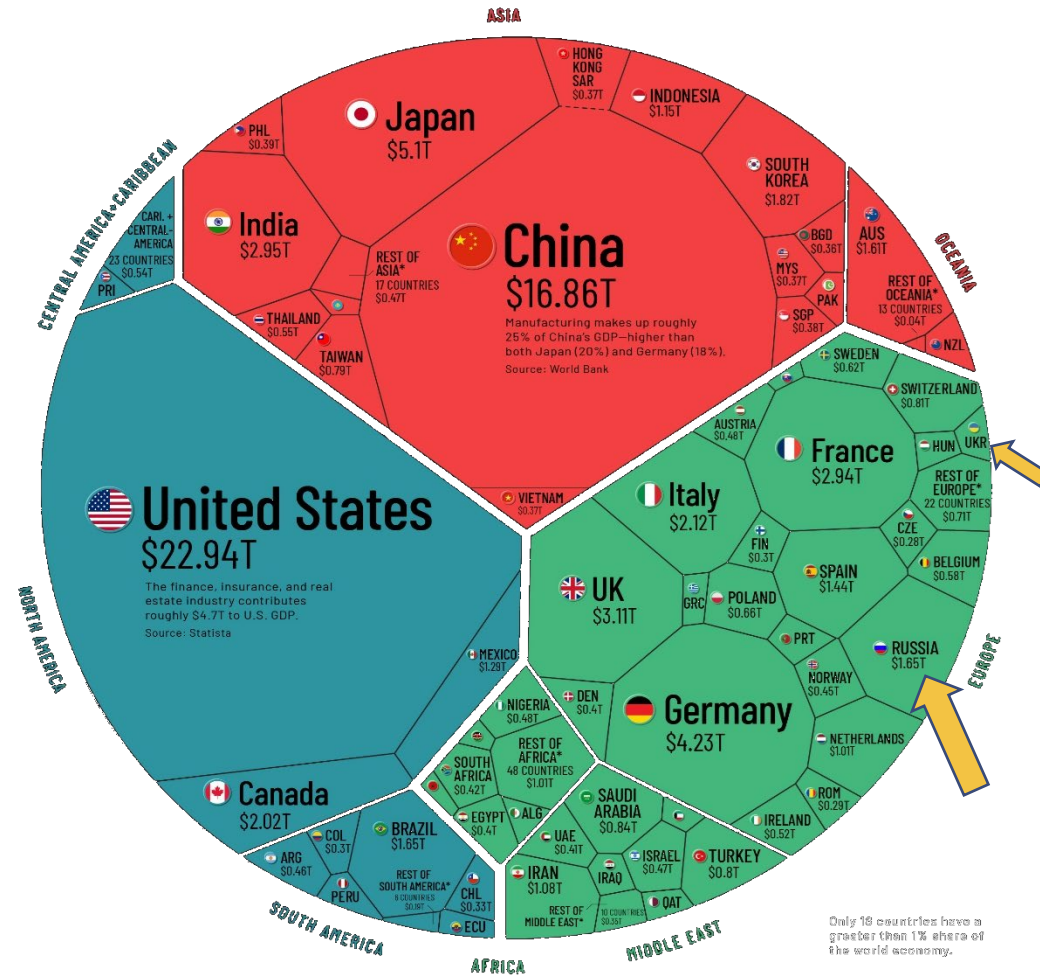
## Russia Global Production Share of Top 5 Exports

Crude Petroleum	12%
Refined Petroleum	10%
Natural Gas	9%
Coal	17%
Wheat	18%

## Ukraine Global Production Share of Top 5 Exports

Corn	13%
Seed Oils	34%
Iron Ore	3%
Wheat	7%
Semi-Finished Iron	10%

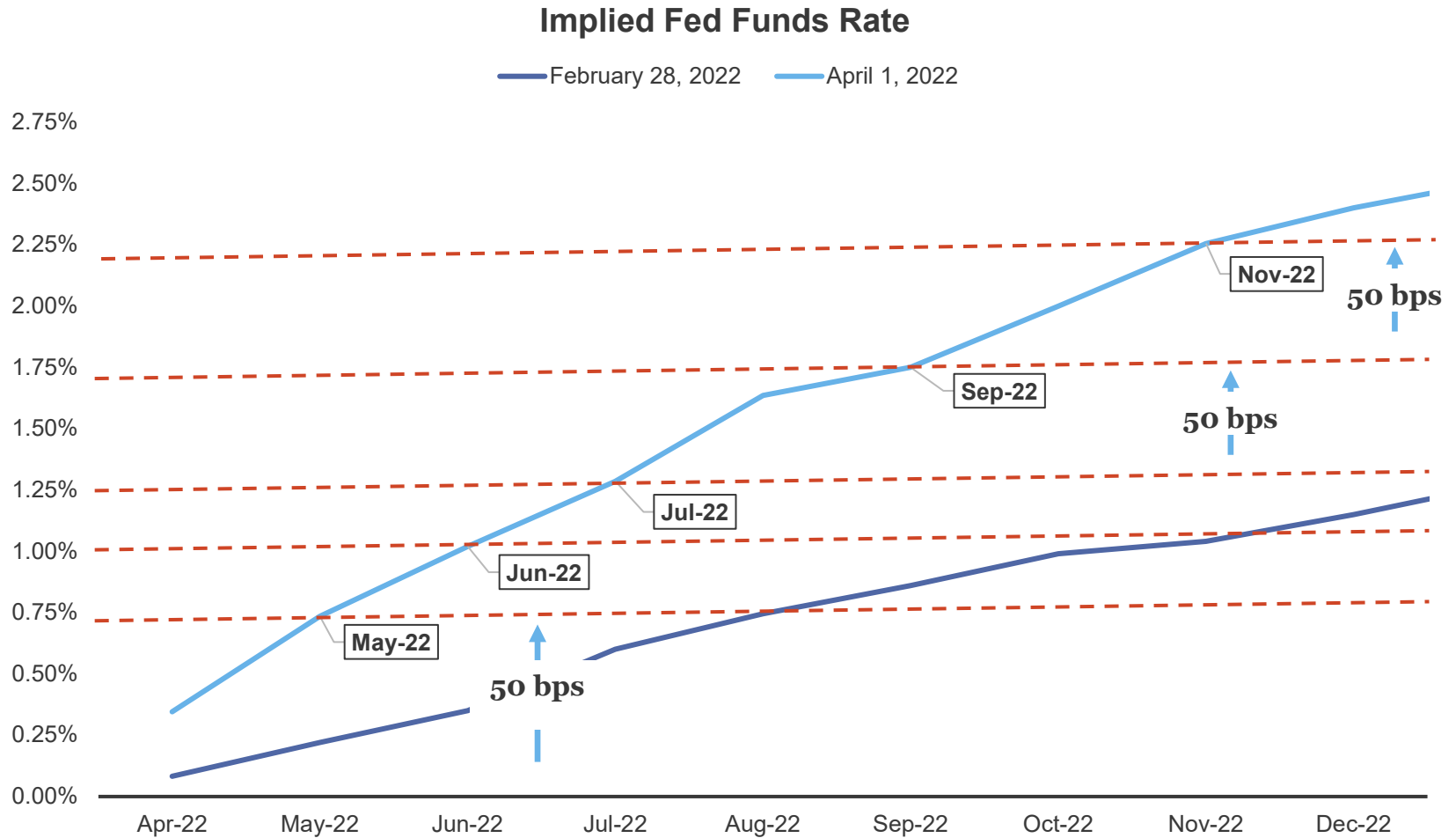
## Global GDP 2021



Source: Visual Capitalist: IMF (right) ; Observatory of Economic Complexity (OEC) as of 2019 (left).



# Market Is Pricing in Eight 25bp Rate Hikes in 2022



Source: Bloomberg, WIRP as of 4/01/2022. Rate hikes are based on an assumed rate move of 25 basis points (0.25%).

# Treasury Yields Continue to Climb

## 2-Year Treasury Yield

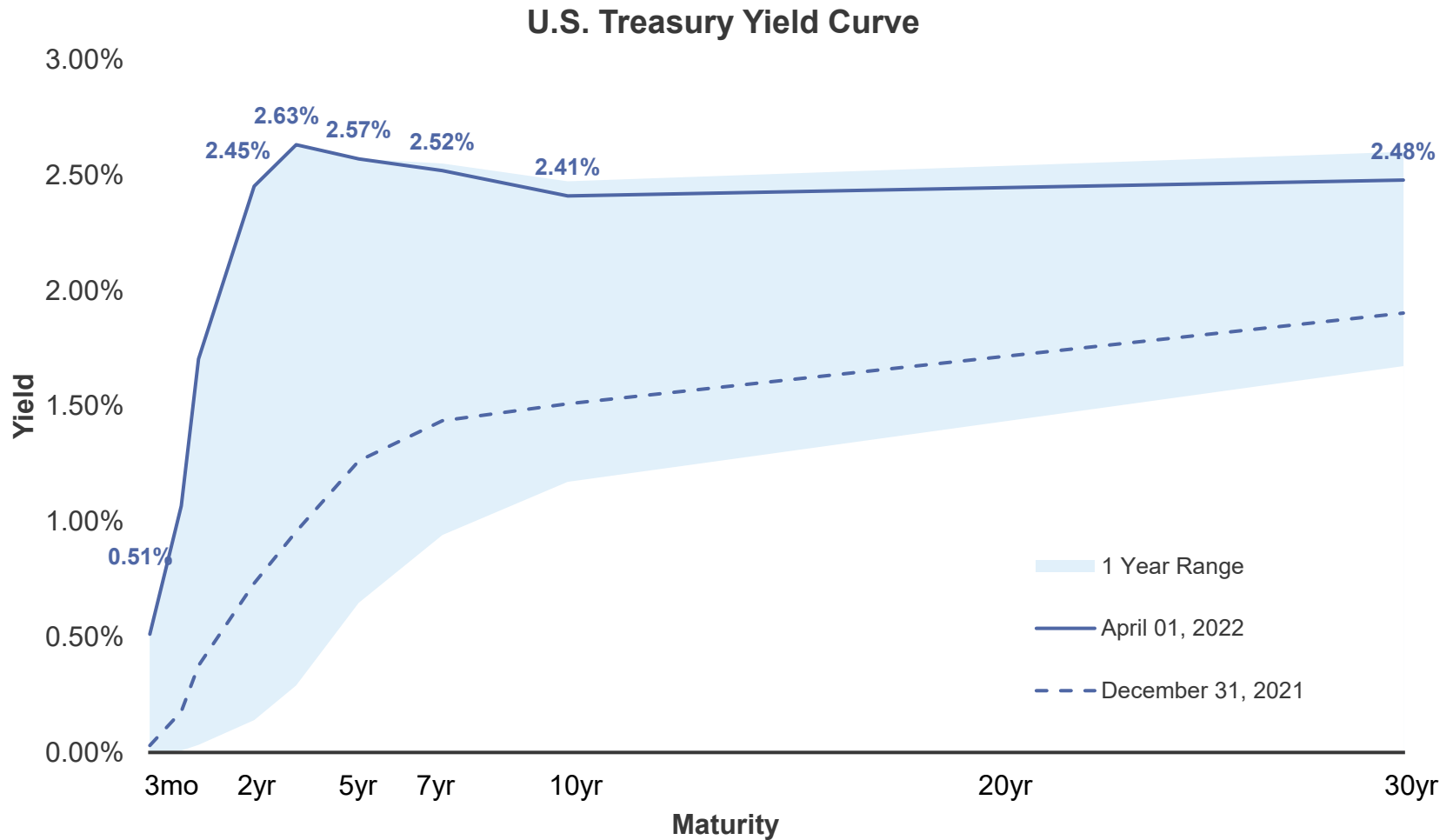


## 10-Year Treasury Yield



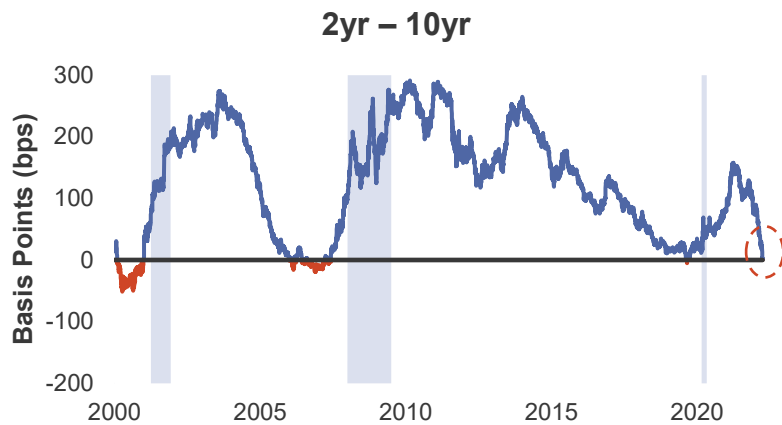
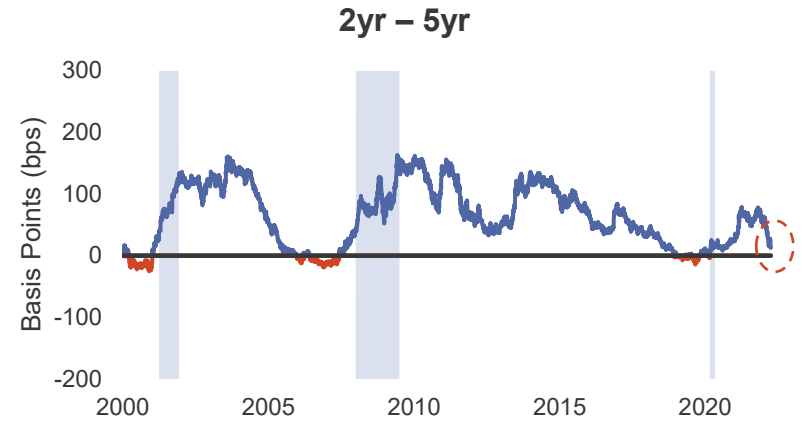
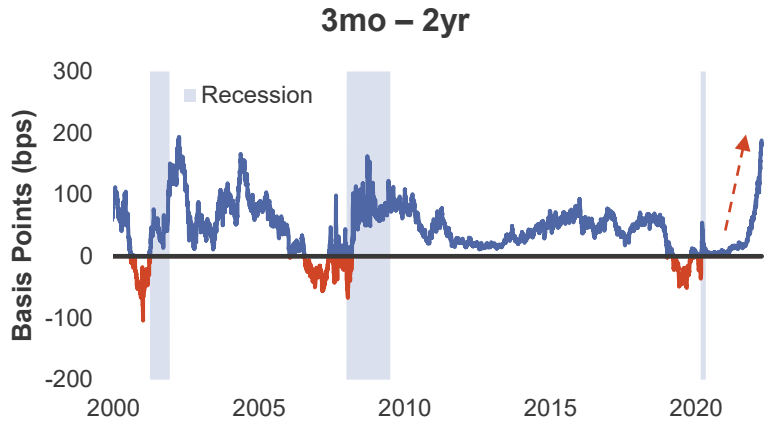
Source: Bloomberg, as of 4/01/2022.

# Treasury Yield Curve Inverts



Source: Bloomberg, as of 4/01/2022.

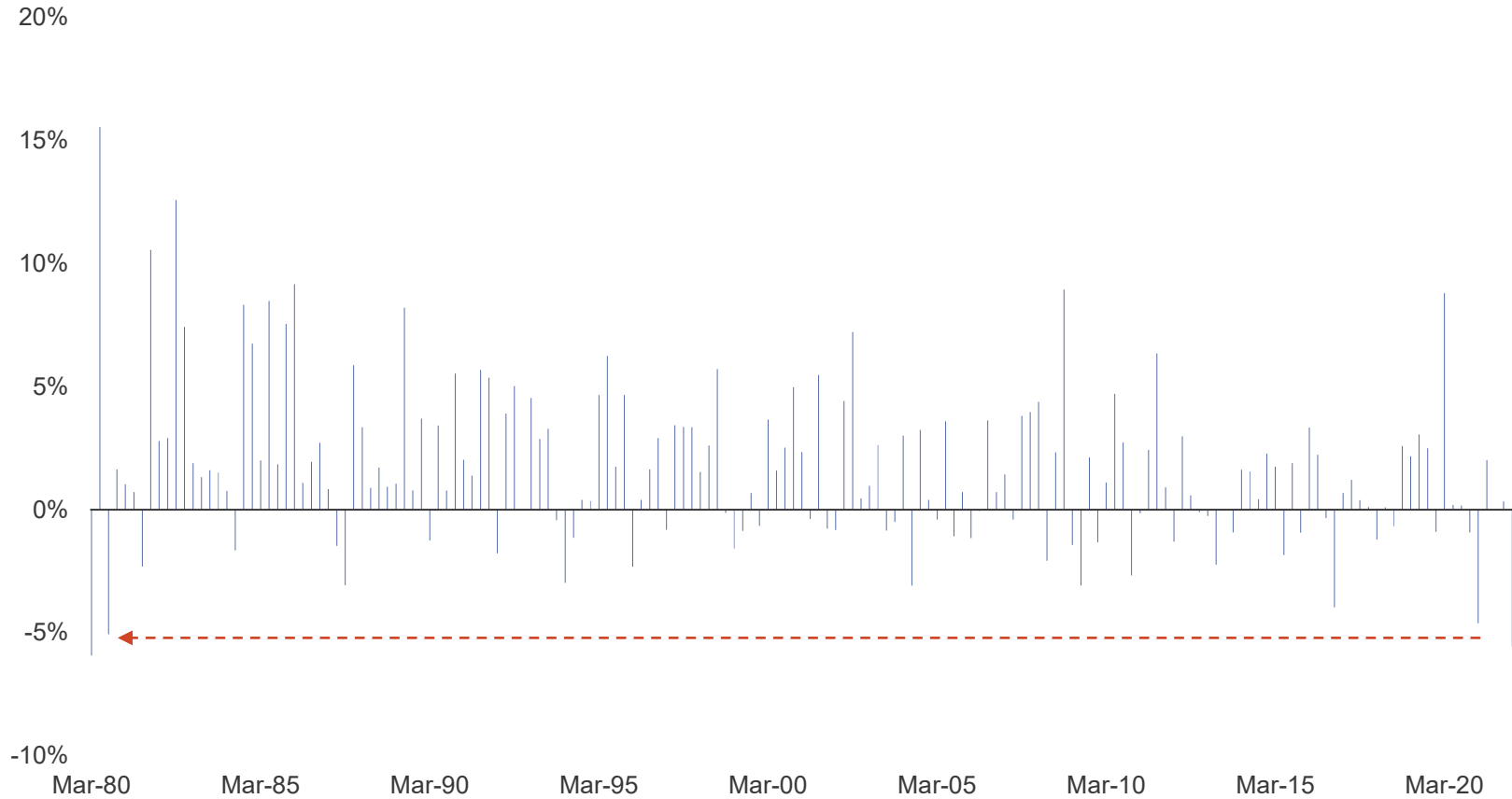
# Historical Treasury Yield Curves



Source: Bloomberg, as of 4/01/2022.

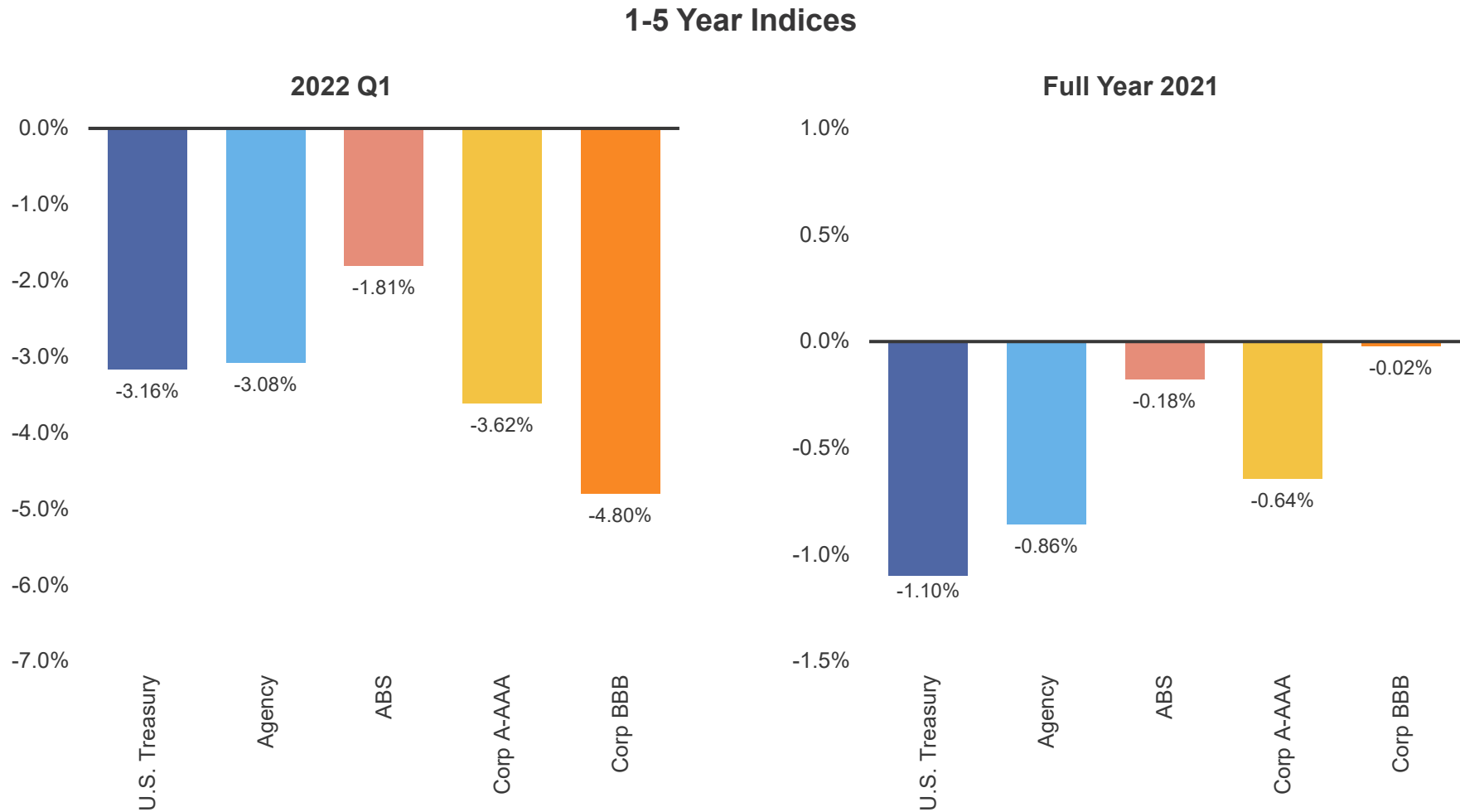
# Treasuries Record Worst Quarter Since 1980

**ICE BofA U.S. Treasury Index Quarterly Performance**  
Treasury Master - G0Q0



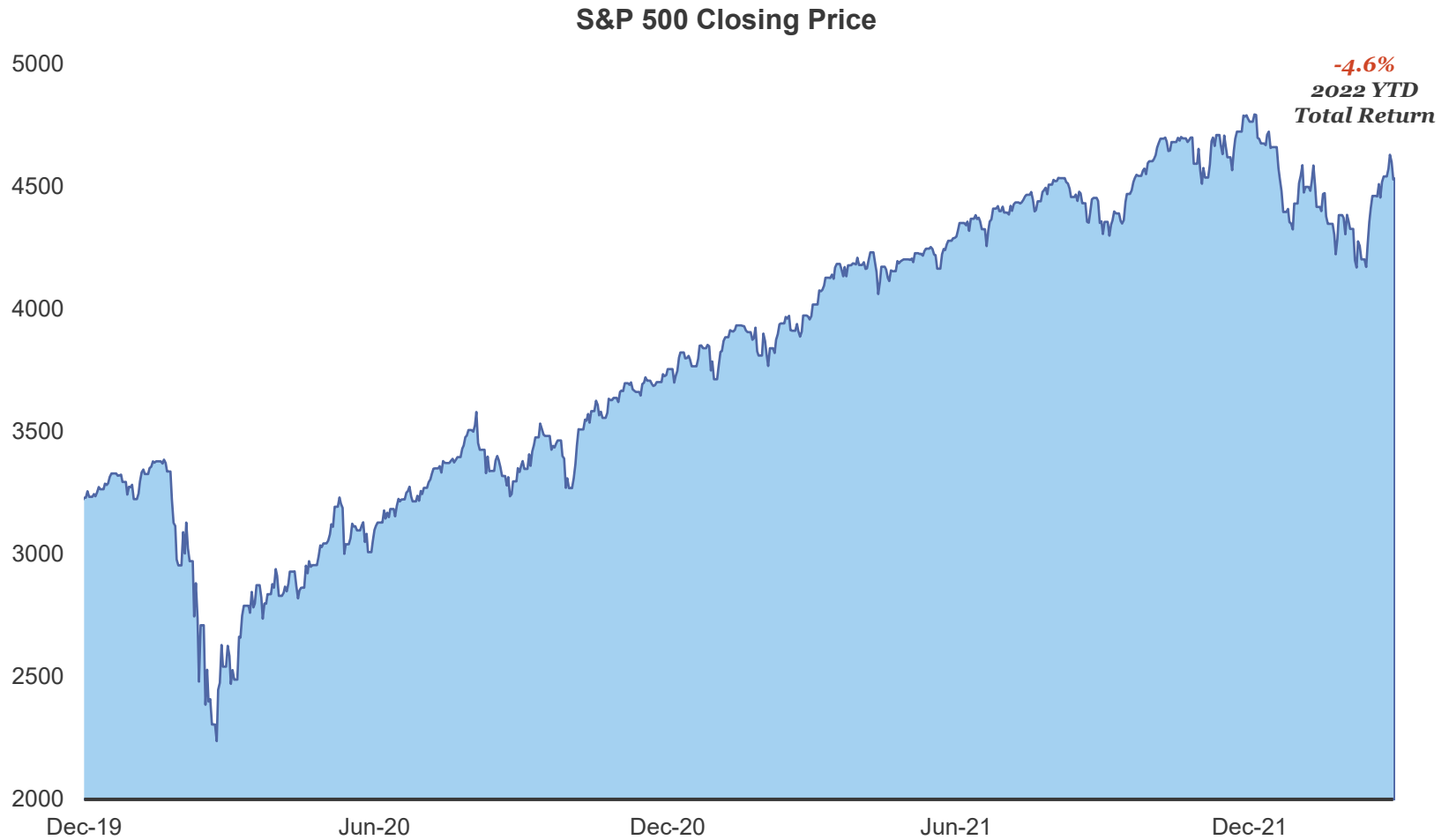
Source: Bloomberg, as of 3/31/2022.

# Rising Rates and Wider Spreads Hurt Fixed-Income Returns in March



Source: ICE BofAML Indices. ABS indices are 0-5 year, based on weighted average life. As of 3/31/2022.

# Stock Market Slowly Recovers from Sell-Off



Source: Bloomberg, as of 3/31/2022.

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