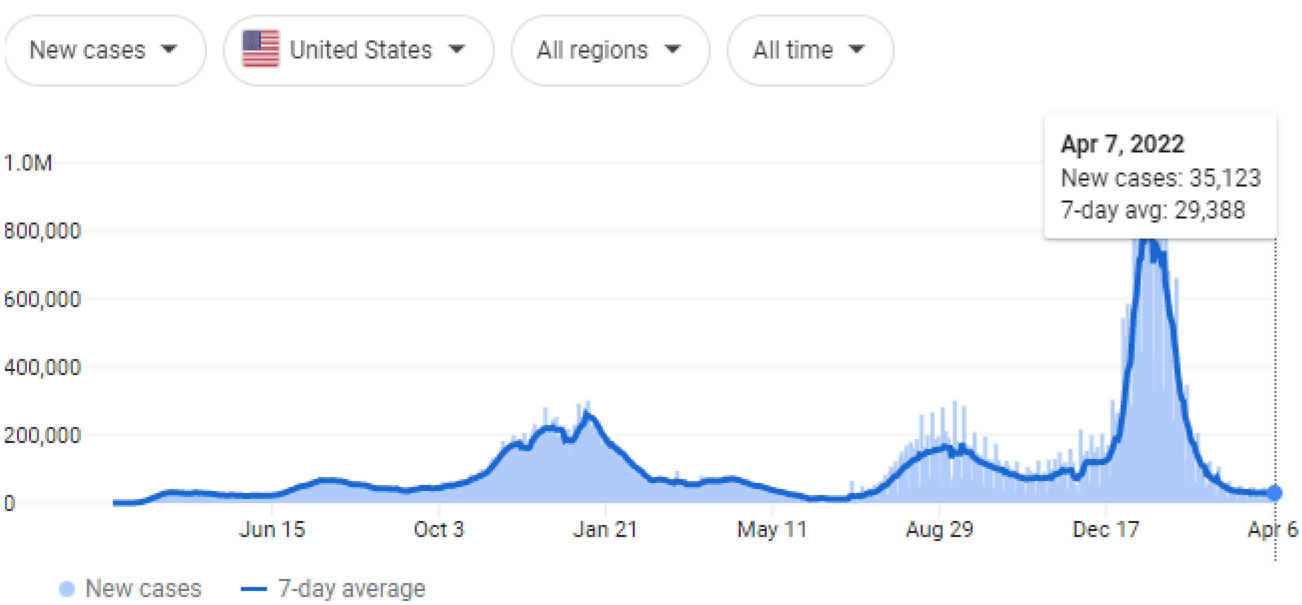
WELLS TRECASO
FINANCIAL GROUP

Doug, Ralph, (sitting) Samuel, Alexa, Michelle, Andrea and Chris (standing)

Portfolio Talk   Market Update 4/8/2022

Russia's retreating from Kyiv, Bucha and the western areas of Ukraine only to focus on the eastern cities. The 2-10 and 5-30 treasury yield curves slightly inverted only to flatten. The street, Wall Street that is, is waiting for earnings and commentary that follows on how the supply chain is and will continue to effect growth. And COVID, well a picture tells the story better than words:

From The New York Times · Last updated: 14 hours ago



Cases are running at the lowest level in some time. China on the other hand has had outbreaks in several cities and have been aggressive in locking down those areas to prevent the spread. Doesn't this beg to differ in approach with what we've done in masking, social distancing, and vaccinations while continuing to reopen?

China is important because of our reliance on them for our supply chain, something many are beginning to consider a potential negative going forward. Time will tell but having countries who are not our friends delivering needed products seems to be somewhat dangerous. Will this diminish the growth of globalization? Will we bring more manufacturing back to the US even with the risk of elevating prices? Or will it be a hybrid configuration that's more fragmented and allows us to move processes from one area to another, so that we are not relying on one area entirely? We'll see, but there will be a change and third world countries that have the lowest wage base could either benefit or suffer from these changes. Furthermore, the markets where we sell our products could lessen given one of the true benefits of globalization is the lifting of impoverished countries into a middleclass status and paying their population a living wage where there was none before. Some may argue that their wage level is not high enough given the labor force that benefits the employer, but I'll leave that argument to the academics and socially conscious. Sharing the wealth is never a bad concept if benefits derived are shared by all!

We're still waiting for earnings to be released and as stated above, these are probably the most anticipated releases in some time. The quarter is most likely going to be good, but the forecast for the rest of the year is what everyone has their eyes on. The thought is that with the Fed increasing interest rates and reducing their balance sheet (another form of monetary tightening) that the economy will slow. Will the GDP grow at 2-3% for the remainder of 2022? Will 2023 deliver a recession and how much of a contraction will we have? These are the questions we'll try to find the answers to, and we'll keep you informed in the coming months!

Economic News

- Monday:
    - Factory orders for Feb. -0.5% vs. -0.6% expected and 1.5% previously…slowing possibly due to the supply chain issues!
    - Core capital equipment orders (revision) for Feb. -0.2% vs. -0.3% previously…same.
- Tuesday:
    - Foreign trade deficit for Feb. -$89.2 billion vs. -$88.5 billion expected and -$89.2 billion previously…holding steady.
    - S&P Global (Markit) services PMI (final) for March 58.9 vs. 58.9 previously…still very good. Anything above 50 shows growth in the economy!
    - ISM services index for March 58.3% vs. 58.0% expected and 56.5% previously…excellent!
- Wednesday:
    - None scheduled
- Thursday:
    - Initial jobless claims for April 2, 166,000 vs. 200,000 expected and 171,000 previously…another month below 200,000!
    - Continuing jobless claims for March 26, 1.52 million vs. 1.51 million previously…holding steady!
    - Consumer credit for Feb. $15 billion vs. $7 billion previously…is the consumer spending more…. looks like it!
- Friday:
    - Wholesale inventories (revision) for Feb. 2.5% vs. 2.1% expected and 2.1% previously…product scarcity may be easing?

While the economic news was light this week the releases were still positive and show the economy is growing at a decent rate. This is also having a negative effect given our good fortunes may force the Fed to increase interest rates faster than once anticipated. We are seeing more comments from the Regional Fed Presidents that a .50% increase in May with another at the same rate in June may be needed to slow the economy and inflation. No one knows what the outcome will be, but an economy that continues to grow at the rate we're growing leans toward this scenario.

We're still hoping for a soft landing where the economy slows but does not contract. However, we are looking at how a recession would affect the positions in the portfolio. As of now we're staying with the positions we have.

We have now gotten to the point where the weekly Portfolio Talk Updates are no longer needed. While certain situations may arise and warrant a special release to keep you informed, we'll be going to a monthly publication after this release. We hope the weekly updates have helped ease your concerns of all the issues we've faced over the past two years. It is always of the upmost importance to us to make sure you are aware of the issues that affect your investments and thereby your investment goals and objectives.

Stay Safe!

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