MARKET UPDATE

JANUARY 21, 2022

VOLATILITY RETURNS

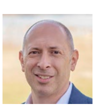
It has been a rocky start to 2022, and the volatility is likely here to stay for a bit. Now, that doesn't mean that the markets will continue their downslide, it just means that we will need to live with the ups and the downs. So, what is causing the downs that we have experienced the past two weeks? We look to three items in particular: 1. A shock to the rates environment that saw the 10Y US Treasury rate jump from 1.6% to almost 1.9% in a matter of two weeks; 2. The Omicron variant of COVID-19 and the potential impact to the global economy; and 3. The Q4 2021 earnings season is off to a mixed start. Banks and Airlines were marginally disappointing.

The NASDAQ index has technically entered a correction territory, defined as down 10% from the highs. Growth and Small Cap stocks are also down 10% year to date. Value stocks and the US Aggregate Bond market are down 2% so far this year. While there has not been a place to hide, diversification has helped to weather the impact of these market corrections. A correction is not uncommon, in fact in 30 out of the last 50 years, the S&P500 index has experienced a decline of 10% or more. But inevitably we have come out ahead as earnings and valuations catch up. While unpleasant, these are a part of investing. The key is to not panic, stay invested and maintain the proper diversification.

At Legacy Edge, we continue to stay the course that we have set and laid out at the end of the year. Shorter duration, Value over Growth stocks and targeted exposure to high conviction sectors. Earnings will continue to come in over the next few weeks and we expect them to be relatively strong. That should support the market in the face of the uncertainty of interest rate policy. The Fed will meet again next week, and in an effort to confront rising inflation, will adjust interest rate policy by further scaling back their bond purchases. But the Fed can't do this alone. Manufacturing and industrial production expanded in December and will likely do so again in January adding much needed goods to the supply channel. We will get a clearer picture of the interest rate policy as well as earnings picture next week. The news will be mixed, markets will be volatile, but the underlying picture is constructive. We are focused on identifying any major issue with the economy and are ready to make a change if needed. For now, however, we suggest staying the course.

Regards.

Jason



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DISCLOSURE