Seventy2 Capital

April 2022

MONTHLY MARKET COMMENTARY

Volatility continues to plague equity and fixed income markets while global growth concerns, rising geopolitical tensions, and speculation around Fed policy dominate headlines. US GDP had a surprise miss for the first quarter of 2022, coming in at -1.4% vs an expectation of +1.0%. Two consecutive quarters of declining GDP growth mark a recession. We don't expect Q2 to come in negative, but we do believe a recession is closer than many expected just a few months ago. We have seen some positive reports from companies so far this earnings season, but many are quoting a pessimistic road forward in their guidance estimates. We focus this month's commentary on our positioning within the two asset classes that likely make up the majority of your portfolio:

- **US Equities – Growth vs. Value**
- **US Fixed Income – Managing Duration**

US EQUITIES - GROWTH VS. VALUE

We are beginning to see economic conditions deteriorate and expect the market will stay volatile for the remainder of the year. Our goal in recent portfolio changes has been to focus on companies that have sound capital structures, ample cash flow generation, and profitability in various market environments. We scaled back positions in high-growth technology and consumer discretionary sectors and added exposure to energy, healthcare, and materials.

We continue to focus on companies with pricing power that can pass along higher input costs to consumers, remain active with individual names, and look for opportunities to pick up great values within this volatile market. We recommend taking on a more defensive position in equity portfolios. As shown in the chart here, we can see the dispersion in returns this year between growth and value in equities. We expect this story will continue to play out as the Fed tightens conditions this year.

	Value	Blend	Growth
Large	-5.0%	-11.8%	-19.2%
Mid	-6.1%	-11.7%	-21.8%
Small	-9.1%	-15.8%	-22.4%

Source: FactSet, Refinitiv Datastream, Standard & Poor's. Data as of April 28th, 2022

US FIXED INCOME - MANAGING DURATION

Fixed Income continues to be an incredibly challenging area to allocate to, with the US Aggregate Bond Index down over 9% year to date. Longer-term bonds have seen even more pain, with the long-term index down over 18% year to date. We believe rates will continue to rise and the yield curve will remain flat, with only mild differences between the rates on long-term and short-term bonds.

We expect the 10-year yield to continue to rise throughout the remainder of the year and advise clients to stay in fixed income with higher credit quality and shorter duration until the Fed has concluded its tightening of monetary policy conditions. There will be a time to start adding duration to portfolios, but we believe it is too early to add this risk into portfolios as talk of faster and quicker interest rate hikes has dominated commentary coming from the Fed. We expect them to stay on this plan until inflation is under control.

- The Seventy2 Capital Team

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Please join us for our Seventy2 Tuesday Monthly Webinar on May 3rd at 12pmET as we discuss these topics and more.

Reach out to your Financial Advisor with any questions or concerns.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can cause a bond's price to fall. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity. Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN). Seventy2 Capital Wealth Management is a separate entity from WFAFN CAR-0422-04786.