# Making **Sense**

Each month, **Chief Investment Officer, Brent Ciliano** and **Manager of Institutional Portfolio Strategy, Phillip Neuhart** help you make sense of the markets and the economy. Below you'll find a summary of their most recent update. Watch the full update **here**. Register for the next Making Sense webinar **here**.

**WHAT'S COVERED ON THIS MONTH'S WEBINAR? (WATCH IT HERE.)**

- Economic update
- Inflation & interest rates
- Where do markets go from here?

**WHAT'S NEXT?**

**The next Making Sense Webinar: 3.30** – Register here.

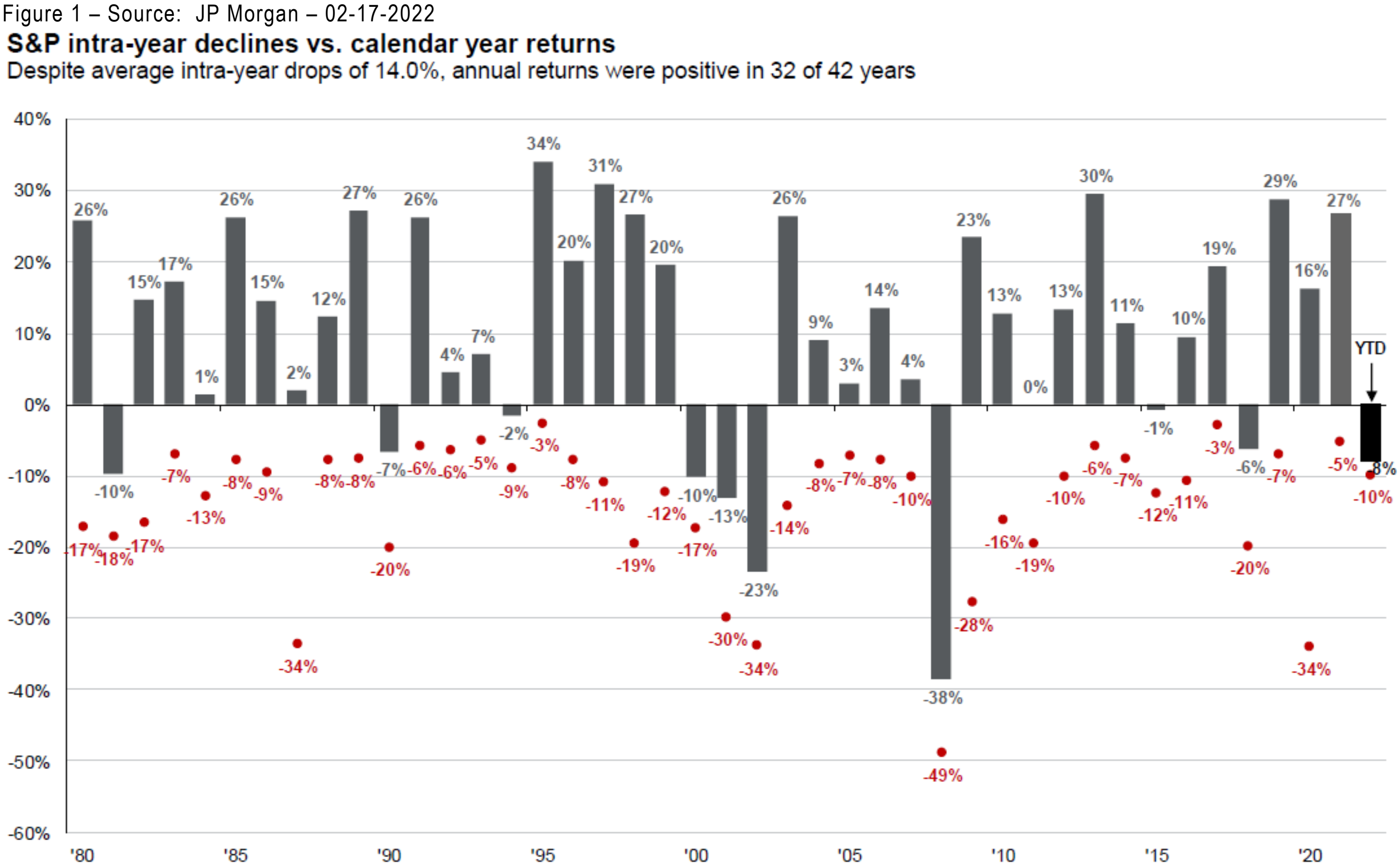
**REVIEW OUR 2022 MARKET OUTLOOK**

**Following the February 23rd market update, Russia launched attacks on Ukraine, and markets responded upon opening on February 24th. Considering this material development, we want to call out a couple of points from February's market update.**

## Consider History: Intra-year drawdowns are normal[i], and drawdowns of 20% or less tend to not last long.

While the volatility we're experiencing is noteworthy, keep in mind that intra-year drawdowns are the norm rather than the exception. Since 1980, the S&P 500 has averaged an intra-year drawdown of 14% per year. Yet, the market has finished the year in positive territory in 32 of those 42 years.

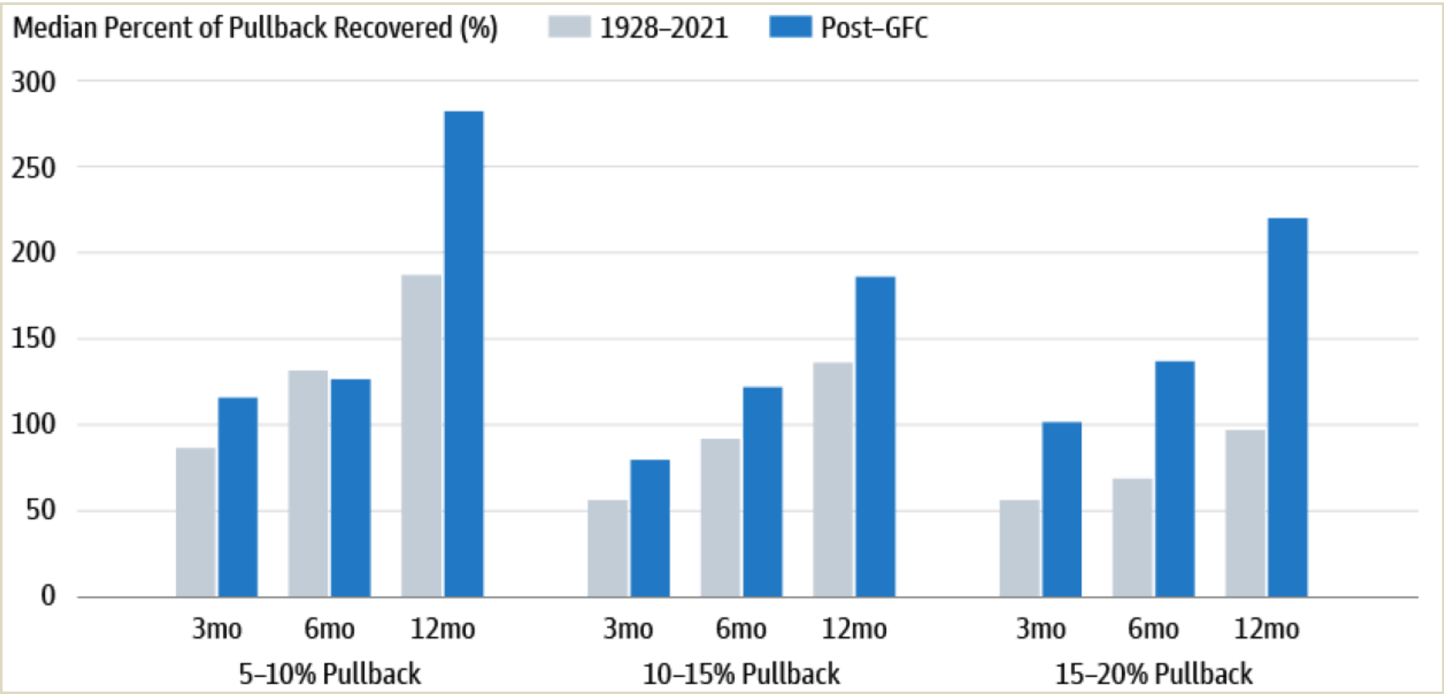
Figure 1 – Source: JP Morgan – 02-17-2022



As you can see on Figure 2[ii], from 1928 to 2021, drawdowns of:

- **10% or less** recovered fully inside of **6 months**
- **10% to 15%** recovered fully inside of **9 months**, and
- **15% to 20%** effectively recovered **within 12 months**

Figure 2 – Source: Goldman Sachs




## Inflation is at multi-decade highs, but expectations are moderating.[iii]

Inflation is at multi-decade highs at both the consumer and producer level. Importantly, 1 and 3-year ahead inflation expectations have moderated although they remain elevated versus history. Expectations are beginning to price the idea that while inflation will remain elevated, the outright pace of inflation will likely moderate from current levels.

Figure 3 – Source: Strategas Research Partners

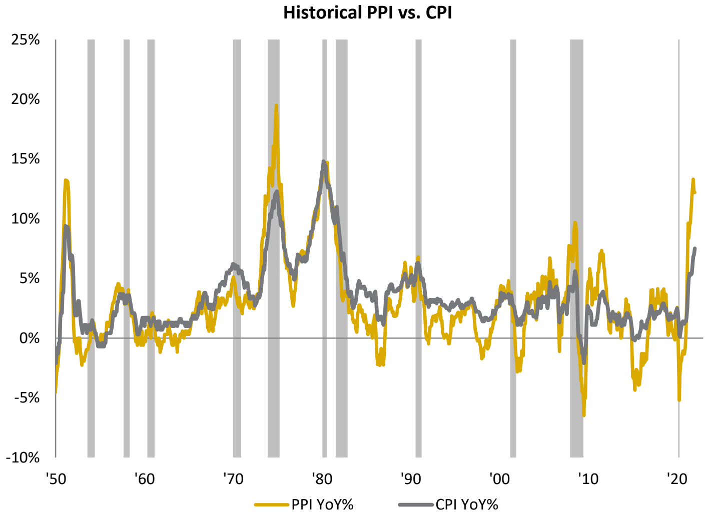
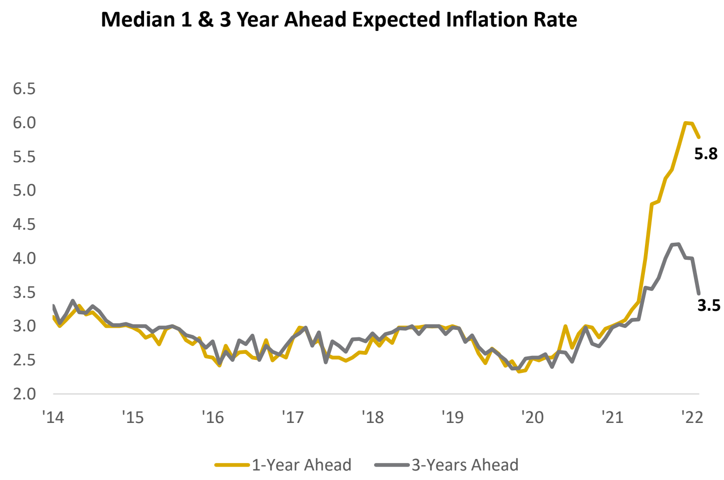



Figure 4 – Source: Strategas Research Partners



## The bottom line for markets:

1. Wall Street consensus S&P 500 12-month forward price target **is 5,312.70 or 21.3% return from February 17's close.**[iv]
2. **Our 2022 S&P 500 price target is 4,900 equating to ~+3% growth over 2021,** but we expect a much more volatile year.
3. **We believe the full market cycle can last through year-end 2023 and potentially reach 5,500 greater (EPS of $267 at ~20.5x), but much can and will change along the way.**

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[i] JP Morgan – 02-11-2022
[ii] Goldman Sachs
[iii] BLS, New York Fed Survey of Consumer Expectations, Strategas
[iv] Bloomberg as of 02/18/22