

MONTHLY ECONOMIC UPDATE

April 2022

MONTHLY QUOTE

“If a window of opportunity appears, don’t pull down the shade.”

- Tom Peters

MONTHLY TIP

If you are presently retiring, moving, or divorcing, try tracking expenses for the next few weeks or months. Significant life changes like these may mean revisions to your budget.

THE MONTH IN BRIEF

U.S. Markets

Greater clarity on monetary policy and improved investor sentiment on the economic outlook propelled stocks to their first monthly gain of the year.

The Standard & Poor’s 500 Index led, gaining 3.58 percent. The Dow Jones Industrial Average added 2.32 percent, and the Nasdaq Composite picked up 3.41 percent.¹

Rough Start, Strong Rebound

The month started out with the same anxieties that dragged the stock market lower in January and February: rising bond yields, slowing economic growth, elevated inflation, and Ukraine. The escalation of hostilities in Ukraine, along with a continuing stream of Western economic sanctions, heightened concerns over the war’s impact on inflationary pressures and the global economy, sending stocks lower in the early part of March.

Fed Raises Rates

A combination of strong economic data and the announcement by the Fed that it was raising rates by a quarter of a percentage point set the stage for a strong rebound in the second half of the month.

While stocks wobbled immediately following the Federal Open Market Committee’s news, investors subsequently reinterpreted the Fed’s aggressive steps as a serious commitment to taming inflation and a reassuring statement about the current health of the economy to withstand higher interest rates.²

Yield Curve Concern

Investors’ attention turned to the bond market as the month progressed. In early March, the spread between the 2-year and 10-year Treasury yields was

85 basis points. By March 30, that spread had narrowed, and some parts of the bond yield curve had inverted.^{3,4}

Some view a yield curve inversion as a signal that the economy may be headed toward a recession. While yield curve inversions are not flawless predictors of future economic activity, its action was a concern and is likely to remain so in the months ahead.

Sector Scorecard

Every industry sector enjoyed a month of positive performance, with gains in Communications Services (+2.43 percent), Consumer Discretionary (+6.31 percent), Consumer Staples (+1.56 percent), Energy (+9.79 percent), Financials (+1.82 percent), Health Care (+6.45 percent), Industrials (+4.71 percent), Materials (+7.15 percent), Real Estate (+8.41 percent), Technology (+4.71 percent), and Utilities (+9.73 percent).⁵

What Investors May Be Talking About in April

The initial estimate of the first quarter's Gross Domestic Product will be released on April 28.

It should provide investors with insight into how the economy weathered the stresses of a wave of Omicron infections early in the first quarter and the repercussions of Russia's invasion of Ukraine, which started in late February.

At the same time it releases the GDP report, the Bureau of Economic Analysis also will report the Personal Consumption Expenditures Index (PCEI).

The PCEI is one of the benchmarks watched by the Federal Reserve to assess inflationary trends. The Federal Open Market Committee (FOMC) meets in early May so the index may play an oversized role in any decision on interest rates.

The Ransomware Threat

Cybercrime has reached a new level.

Imagine cybercriminals holding your files for ransom. It sounds like something out of a movie set in the distant future, but business owners and households are facing such a threat today.

Hackers are now using ransomware to hijack computers and hold files hostage in exchange for payment. Malware programs like CryptoWall, CryptoLocker and CoinVault spring into action when you unsuspectingly click on a link in an email, encrypting all of the data on your hard drive in seconds. A “ransom note” appears telling you that you need to pay \$500 (or more) to access your files again. If you fail to pay soon, they will be destroyed.⁶

Worldwide, more than a million computer users have been threatened by ransomware – individuals, small business, even a county sheriff’s department in Tennessee. The initial version of CryptoLocker alone victimized 500,000 users, generating more than \$3 million in payments along the way.^{7,8}

The earliest ransomware demanded payments via prepaid debit cards, but hackers now prefer payment in bitcoin, even though few households or businesses have bitcoin wallets. (The emergence of bitcoin effectively aided the rise of ransomware; keeping the payment in virtual currency is a hacker’s dream.)^{7,8}

If your files are held hostage, should you pay the ransom? The Department of Homeland Security and most computer security analysts say no, because it may be pointless. By the time you get the note, your files may already be destroyed – that is, encrypted so deeply that you will never be able to read them again.

Some people do pay a ransom and get their data back. As for prosecuting the crooks, that is a tall order. Much of this malware is launched overseas using Tor, an anonymous online network. That makes it difficult to discern who the victim is as well as the attacker – if one of your workers thoughtlessly clicks on a ransomware link, you cannot find, scold or even help that employee any more than you could locate the hacker behind the extortion.⁸

How do you guard against a ransomware attack? No one is absolutely immune from this, but there are some precautions you should take.

First, back up your data frequently – and make sure that the storage volumes are not connected to your computer(s). Cloud storage or a flash drive that always stays in one of your computer’s USB ports is inadequate. If you back up your files regularly enough, weathering a ransomware attack becomes easier.⁸

Keep your anti-virus software renewed and up to date. Those alerts you receive about the latest updates? Heed them.

Never click on a mysterious link or attachment. This is common knowledge, but bears repeating – because even after years of warnings, enough people still click on mysterious links and attachments to keep malware profitable.

Ransomware is a kind of cyberterrorism. This is why the Department of Homeland Security issues warnings about it. When you deal with terrorists, playing hardball has its virtues. As Symantec Security Response director Kevin Haley told NBC News: “If none of us paid the ransom, these guys would go out of business.”⁷

The Fed

The Federal Reserve raised interest rates by 0.25 percent, with the Federal Open Market Committee (FOMC) signaling that it may increase interest rates at a faster pace than it originally anticipated in December.

Based on its projections of the federal funds rate, the Fed may implement as many as seven quarter-point hikes this year and another three to four next year. The FOMC also indicated that it would soon announce its strategy for reducing the Fed’s \$9 trillion balance sheet.⁶

MARKET INDEX	Y-T-D CHANGE	April 2022
DJIA	-4.57%	2.32%
NASDAQ	-9.10%	3.41%
S&P 500	-4.95%	3.58%

BOND YIELD	Y-T-D	April 2022
10 YR TREASURY	0.82%	2.33%

Sources: Yahoo Finance, March 31, 2022.

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S.

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