

February 2022 Market Watch

U.S. markets were under pressure in February, as domestic concerns around the U.S. Federal Reserve's more aggressive hawkish policy shift remained the focus in the first half of the month. Investors worried that Central Banks may dampen growth in their efforts to get inflation under control (with a 50 bps rate increase in March), especially when economic readings such as January CPI was higher than expected at 7.5% YoY, the highest in 40 years, and companies highlighted more persistent inflation pressure in things such as labor costs. However, in the second half of the month, Russia's invasion of Ukraine created geopolitical risks that reduced expectations for rate hikes.

Russia's escalations turned full attack on Ukraine in February led to U.S. and EU sanctions. Russia produces and exports a significant amount of commodities 13% of global crude oil production, 17% of natural gas production and ~10% of global wheat supplies. As such, economic impact on developed markets is mostly on food and energy prices. Oil prices, along with other commodities, continued to climb, adding to the already concerning inflation picture.

The focus will continue to be on the Russian-Ukrainian conflict and its global impact, the Fed's inflationary policy, and global economic growth.

	Date	1 Week Ago		1 Month Ago		YTD	1 Year Ago	
	2/28/22	2/21/22	% chg*	1/31/21	% chg*	% chg*	2/28/21	% chg*
DJIA	33,892.6	34,079.2	-0.5%	35,131.9	-3.5%	-6.7%	30,932.4	9.6%
S&P 500	4,373.9	4,348.9	0.6%	4,515.6	-3.1%	-8.2%	3,811.2	14.8%
NYSE Comp Index	16,313.9	16,392.3	-0.5%	16,659.8	-2.1%	-5.0%	15,010.5	8.7%
NASDAQ Composite	13,751.4	13,548.1	1.5%	14,239.9	-3.4%	-12.1%	13,192.3	4.2%
Russell 2000	2,048.1	2,009.3	1.9%	2,028.5	1.0%	-8.8%	2,201.1	-6.9%
MSCI EM (Emerging Markets)	1,171.3	1,231.8	-4.9%	1,208.2	-3.1%	-4.9%	1,339.3	-12.5%
MSCI EAFE	2,179.1	2,235.9	-2.5%	2,222.5	-2.0%	-6.7%	2,168.9	0.5%
Japan Nikkei 225	26,526.8	26,910.9	-1.4%	27,002.0	-1.8%	-7.9%	28,966.0	-8.4%
FTSE 100	7,458.3	7,484.3	-0.3%	7,464.4	-0.1%	1.4%	6,483.4	15.0%
SSE Comp Index	3,462.3	3,490.6	-0.8%	3,361.4	3.0%	-4.9%	3,509.1	-1.3%

US Equity Sector Performance

	Feb	YTD	1 Yr Ret.
Consumer Discretionary	-4.0%	-13.3%	8.5%
Consumer Staples	-1.4%	-2.8%	23.4%
Energy	7.1%	27.6%	55.0%
Financials	-1.4%	-1.3%	21.6%
Health Care	-1.0%	-7.7%	17.2%
Industrials	-0.9%	-5.6%	11.8%
Information Tech	-4.9%	-11.4%	18.8%
Materials	-1.2%	-8.0%	15.5%
Communication Services	-7.0%	-12.8%	1.2%
Utilities	-1.9%	-5.1%	20.1%
Real Estate	-4.9%	-13.1%	24.5%

US Equity Style Performance

	Feb	YTD	1 Yr Ret.
Dow Jones Utilities	-1.2%	-3.9%	18.5%
DJ TRANS Avg.	0.1%	-7.1%	15.9%
Russell 1000 Value	-1.2%	-3.5%	15.0%
Russell 1000 Growth	-4.2%	-12.5%	12.5%
Russell 2000 Value	1.7%	-4.3%	6.6%
Russell 2000 Growth	0.4%	-13.0%	-17.4%

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U.S. equity sectors closed lower led by losses in Communication -7.0%, Info Tech -4.9%, and Real Estate -4.9%. Energy was again the only gainer +7.1%, rallying alongside oil prices.

Both Developed International Equities (MSCI EAFE) -2.0% and Emerging Market (MSCI EM) -3.1% closed the month lower. About 25% of the European Union's (EU) crude oil imports and 40% of its natural gas imports come from Russia. Thus a disruption in Russian commodity exports will have a significant impact on the EU. Concerns over the reliability of Russian energy supplies will put further pressure on Europe to transition from fossil fuels towards renewables. EU inflation reached 5.1% YoY, its highest level on record and mostly from energy inflation. Slower rate hikes will be likely for the region.

U.S. government yields continued to rise across the board. The 2-Yr note rose to 1.43%, 10-Yr to 1.84%, and the 30-Yr to 2.19%. Treasury yields climbed on the back of strong U.S. economic data and on expectations of rate hikes at the beginning of the month, but gave back some of the gains towards the end of the month as slower rate hikes and concerns of growth returned.

The Bloomberg Commodity Index continued to rally and closed +6.2% along with WTI crude oil +8.6%. WTI crude moved above \$90/barrel and Brent above \$100/barrel, because of the Ukrainian conflict. U.S. and OPEC considered emergency stockpile release and boosting output. Gold closed up +5.8%.

Bond Markets (%)

	2/28/22	1 Mth Ago	1 Yr Ago
US Benchmark Bond – 3 Mth	0.31	0.19	0.04
US Benchmark Bond – 6 Mth	0.66	0.46	0.06
US Benchmark Bond – 2 Yr	1.43	1.16	0.14
US Benchmark Bond – 5 Yr	1.71	1.61	0.78
US Benchmark Bond – 10 Yr	1.84	1.78	1.46
US Benchmark Bond – 30 Yr	2.19	2.10	2.19

US Bond Sector Performance

	Feb	YTD	1 Yr Ret.
Bloomberg Barclays U.S. Govt. Intrm. TR	-0.45%	-1.72%	-2.36%

Exchange Rates (per US dollar)

	2/28/22	1 Mth Ago	1 Yr Ago
Canadian Dollar	1.268	1.272	1.266
Mexican Peso	20.433	20.649	20.911
Euro	0.890	0.892	0.824
British Pound	0.745	0.745	0.715
Swiss Franc	0.917	0.931	0.905
Chinese Yuan	6.311	6.365	6.460
Indian Rupee	75.348	74.623	73.485
Japanese Yen	115.175	115.225	106.540

Commodities (In US dollars)

	2/28/22	1 Mth Ago	1 Yr Ago
Gold	1,900.70	1,796.40	1,728.80
Crude Oil	95.72	88.15	61.50
US Dollar Index	96.69	96.54	90.88
Bloomberg Commodity Index	114.55	107.86	85.28

Interest Rates (%)

	2/28/22	1 Mth Ago	1 Yr Ago
Prime Rate	3.25	3.25	3.25
Federal Funds Rate	0.09	0.09	0.07
Libor Rate 30 Day	0.24	0.11	0.12
Libor Rate 3 Months	0.50	0.31	0.19
30yr Fixed Mortgage	3.76	3.55	2.97

Economic Sentiment

	2/28/22	1 Yr Ago
Unemployment Rate	3.80%	6.20%
Average Single Family Home	372,700	345,300
Capacity Utilization	77.60%	72.68%

*Performance for world indices represents price returns (excluding dividends) for the DJIA, S&P 500, NASDAQ, Russell 2000, MSCI EM, MSCI EAFE, NYSE, SSE, and Nikkei, due to data availability.

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