CLEAR CREEK
ADVISORS

MACRO RISK TRIANGULATION

Market Review **JANUARY 2022**

Stocks pulled back in January as investors prepared for the interest rate takeoff. As a result, US large-caps rolled backward to end with losses in the mid-single-digits. Small-cap losses were even more significant in size. The primary place that made any money in the prior month was in the baskets of energy stocks. Net buying returned to energy as investors correctly anticipated that dividend rate hikes would result from today's high oil prices.

The broad stock market has essentially reached the middle and peak of its earnings season when corporate leaders tell us how well they did in the fourth quarter of last year. The corporate results have so far been good, with revenues growing and earnings beating analyst estimates. However, stock prices around the announcement dates have mostly stayed flat. Furthermore, some very well-known companies have seen the rug pulled out from underneath their stock prices after reporting to the market. The problem has nothing to do with the comparables. The trouble is in their forward guidance for 2022.

Corporate America has begun to feel the pinch of an economy recovering from the pandemic. Specifically, everything costs more to produce, assuming labor and materials are even available to proceed with production. As a result, producer prices have reached a generational high, and delivery times reported in the manufacturing surveys remain elevated. Lastly, today's complicated supply picture has directly affected consumers and the prices they pay.

Thankfully, consumer demand still appears to remain robust. And, as economies continue to reopen, discretionary spending may start to move towards more leisure and travel, taking the pressure off the physical goods component of the economy. However, the rising food and energy prices complicate matters even more, especially for those with lower incomes. In addition, farmers are in a race to return to capacity after the pandemic caused them to reduce crops and euthanize livestock. Not to mention the recent wave of cold weather has delivered more challenges. As for energy, it appears the geopolitical risks of Russia sitting on Ukraine's borders are intensifying. In addition, Russia is a significant exporter of natural gas to Europe, and a cold war-induced supply disruption during the coldest time of the year is not ideal. As a result, natural gas prices have been highly volatile as of late. Finally, environmental concerns are placing restrictions and regulations on the fossil fuel industry, which is making it difficult to increase supply.

"Financial markets were certainly spooked by the comments in the press conference following the latest meeting of the Federal Reserve Open Market Committee. The conclusion left interest rates unchanged but made inflation sound quite problematic by the lead central banker."

Therefore, the macro-present risk may be changing. The story may have become less focused on the monetary dangers of government deficits and enlarged public debts and made a turn towards intensified competition and resource scarcity. The global central bank policy is beginning to evolve, but the interest rate policy in the US may not be as bad as some are anticipating. Financial markets were certainly spooked by the comments in the press conference following the latest meeting of the Federal Reserve Open Market Committee. The conclusion left interest rates unchanged but made inflation sound quite problematic by the lead central banker. However, those paying close attention to Honorable Jerome Powell's comments, may have noticed the relative advantage for the US relative to other countries. Namely, the US has a global yield advantage which is likely responsible for the recent strength of the US dollar.

The US yield and dollar advantage are essential for several reasons. First, foreign demand from sovereign wealth funds desires the sovereign US yield because of its higher return and safety. Second, US assets provide a means to keep local currencies pegged. Third, a strong US dollar maintains the pace of domestically imported goods and keeps production costs down. Both are meaningful because they allow the Federal Reserve to perform a smooth landing and help to keep US profits booming.

Asset Categories	US STOCKS	FOREIGN STOCKS	US BONDS	FOREIGN BONDS	HARD ASSETS	HYBRIDS
Monthly	-6.41%	-3.83%	-1.66%	-1.96%	-3.02%	-4.26%
Year to Date	-6.41%	-3.83%	-1.66%	-1.96%	-3.02%	-4.26%

*DATA USED IS SOURCED FROM MORNINGSTAR®, DATE ENDING JANUARY 31, 2022.

US STOCKS

US Stocks retreated in January as alarms about renormalization became fundamental to investors. Speculative assets, including companies with high cash burn rates, were impacted the most. Still, the risk of higher interest rates competing with stock returns spread like a contagion throughout the rest of the stock market. Large-caps lost -5.34% on average, while small-cap losses dug in deeper. The category of small-caps dropped by -7.38%.

FOREIGN STOCKS

Foreign Stock losses were less severe relative to US equtities in the prior month but were still negatively impacted. Valuations of developed large-caps were cut by -3.73%, which was relatively better than their US counterparts. However, the higher beta small-caps experienced losses that were more in line with US markets for the month of January. Emerging markets scraped by with only a -1.95% loss.

US BONDS

US Bonds provided relative safety from the equity sell-off. Still, investors had to accept losses in this asset category as well. Corporate bonds led in the loss category, with investment grades and high yield slipping by -2.97% and -2.27%, respectively. Additionally, treasuries retreated by -1.43% for the month. The leader was bank loans with a 0.06% gain in January.

FOREIGN BONDS

Foreign Bonds experienced modest losses in January as well. Overall, Foreign Bonds performed rather similarly to US Bonds. Developed country bonds slid by -1.66% during the month, and emerging market bonds resulted in a -2.27% loss over the same time frame.

HARD ASSETS

Hard Assets were mainly down except for energy assets, which were the one place where investors could generate gains last month. Energy profits bounced back and, as a result, so have their shareholder distributions. As a result, investors coveted energy stocks in January, producing a 7.75% return. Precious metal and real estate returns were roughly even, with an approximate average return of -6.60%.

HYBRIDS

Hybrids slid as growth valuations negatively impacted convertible bonds, and financials weakened the returns in preferred stock. As a result, convertible bond returns fell by -5.92% in January, and preferred stock losses closed at -2.60% over the same time period.

www.ccaretirement.com • 720-642-8348

Investment advisory services offered through Clear Creek Advisors LLC, a SEC Registered Investment Advisor. Subadvisory services are provided by Advisory Alpha LLC, a SEC Registered Investment Advisor.