

Market Commentary

February 24, 2022

We'd like to start off by acknowledging the escalating situation arising in Europe. We hold all affected people in our thoughts.

Today, we want to keep the words light and focus on a couple of powerful charts to sum up what the Russia-Ukraine invasion could mean for markets looking forward. To start, a snapshot of the markets as of market close last night:

MARKET RETURNS AS OF FEBRUARY 23, 2022

Index return	MTD	YTD	1 Year	3 Year	5 Year	10 Year
S&P 500 TR	-6.3	-11.2	10.4	16.8	14.4	14.2
DJ Industrial Average TR	-5.5	-8.6	7.0	10.7	12.2	12.5
NASDAQ Composite TR	-8.4	-16.6	-2.5	21.1	18.6	17.3
Russell 2000 TR	-4.1	-13.3	-12.0	8.3	8.2	10.4
MSCI EM GR	0.0	-1.9	-11.6	7.2	7.7	4.1
MSCI EAFE GR	-0.9	-5.7	1.2	8.7	7.7	6.8
Bloomberg US Agg Bond TR	-2.1	-4.2	-3.6	2.9	2.6	2.4

Chart 1 - History points to short-lived volatility around geopolitical events²

Market sell-offs from geopolitical events can happen in the blink of an eye. Based on history, the decline itself doesn't tend to last that long. The chart below shows some of the largest impact events over the past 50 years. The market decline lasted anywhere from 2 to 27 days, and most of the time (but not always) the duration to recover was also relatively fast.

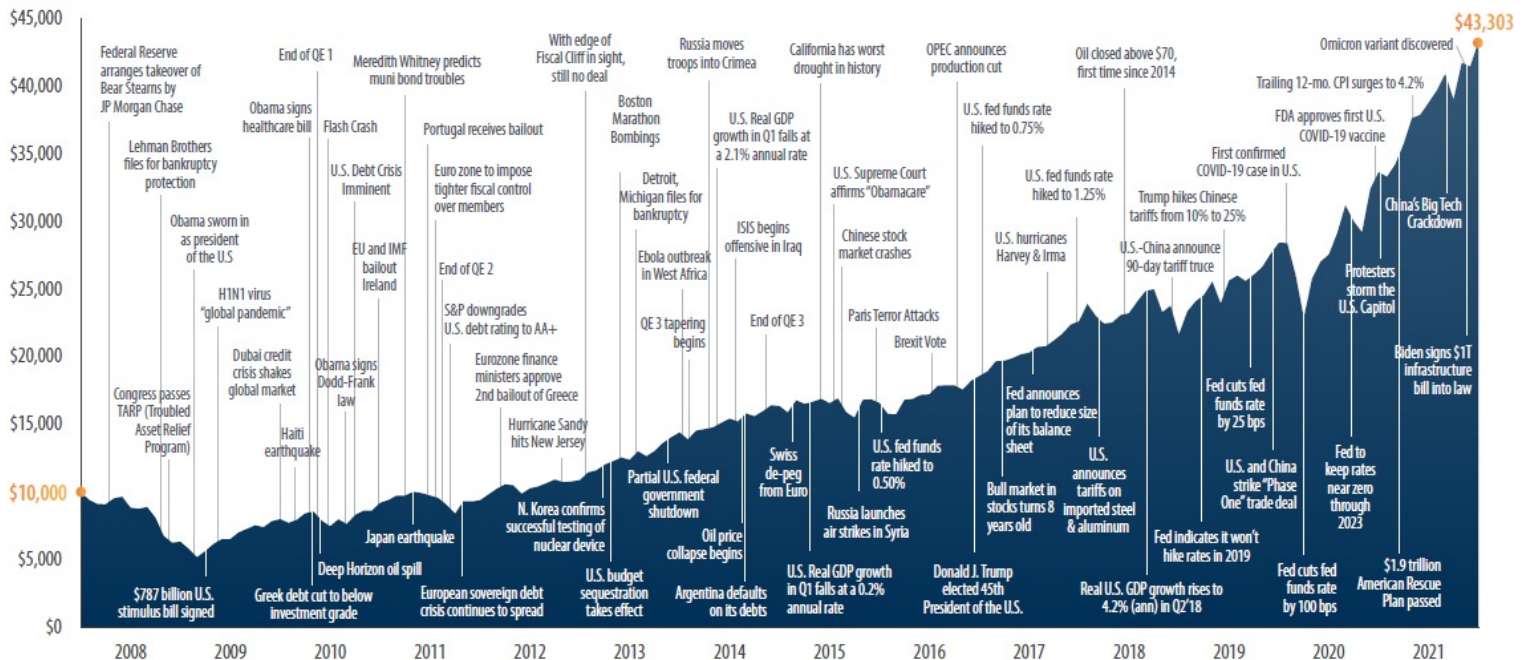
Historical Volatility Around Geopolitical Events²:

Event	Start of Sell Off	Duration of Sell Off (Trading Days)	Duration to Recover to Prior Level (Trading Days)	Size of Sell Off
Israel Arab War / Oil Embargo	29 Oct 1973	27	1475	-17.1%
Shah of Iran Exiled	26 Jan 1979	9	34	-4.6%
Iranian Hostage Crisis	5 Oct 1979	24	51	-10.2%
Soviet Invasion of Afghanistan	17 Dec 1979	12	6	-3.8%
Libya Bombing	21 Apr 1986	20	7	-4.9%
First Gulf War	1 Jan 1991	6	8	-5.7%
Kosovo Bombing	18 Mar 1999	4	9	-4.1%
9/11 Attacks	10 Sep 2001	6	15	-11.6%
Iraq War	21 Mar 2003	7	16	-5.3%
Arab Spring (Egypt)	27 Jan 2011	2	3	-1.8%
Ukraine Conflict	7 Mar 2014	6	13	-2.0%
Intervention in Syria	18 Sep 2014	21	12	-7.4%
Average	1973-2014	12	137	-6.5%

Chart 2 - While these events can be absolutely devastating on human lives, the market marches on³

Take this chart from First Trust³. Many of the highlighted events in their given moment were painful for investors. Zoom into those little blips, but then zoom back out to the big blue shaded area. The average total return of the S&P 500 for the period shown below was over 11%.

Growth of \$10,000 based on S&P 500 performance over the past several years³:



SO NOW WHAT?

When markets are in havoc, professional investors know to keep their emotions in check. So, take emotions out of the current situation to figure out your next move – if any. Here are three options to consider:

1. Do nothing. For long-term investors, staying invested is almost always the best course of action. Scroll back to the First Trust chart above. Breathe.
2. After the volatility subsides, check in with your portfolio to see if you want to rebalance any investments that got off track.
3. Consider adding (if you were going to anyway). But remember as we saw in chart 1 above, the duration of the market sell-off following historical geopolitical events has been anywhere from 2 days to 27 days, so make any moves slowly.

These are just ideas, not recommendations, and whether they make sense will depend on an individual's personal circumstances.

If you have questions on your portfolio positioning, or have any changes to your goals, risk tolerance, or time horizon, please reach out to schedule a conversation.



Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

1. Source: Morningstar. Returns over one year are annualized.
2. Source: Deutsche Bank, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. Data as of 2/21/2022.
3. Source: First Trust Advisors LP, Bloomberg, 1/1/2008-12/31/2021. First Trust is not undertaking to give advice in any fiduciary capacity within the meaning of ERISA, the Internal Revenue Code or any other regulatory framework.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

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