

MILL CREEK

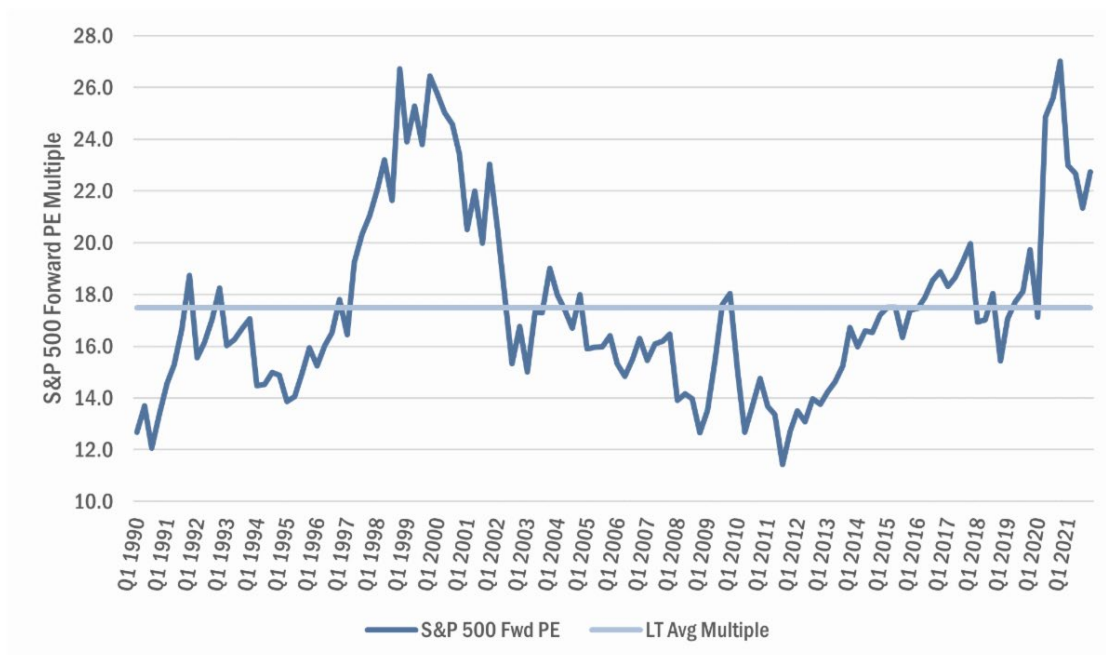
Our values appreciate yours

WEEKLY MARKET UPDATE

February 14, 2022

MARKET COMMENTARY

FIG. 1: S&P 500 continues to trade at a premium to the long-term average multiple



Sources: Bloomberg, Mill Creek.

Equity valuations ranked fifth on our clients' list of top concerns for 2022.

Using data from 1990, the forward price-to-earnings multiple for the S&P 500 has averaged about 17x. The market was trading over 22x consensus earnings expectations entering 2022, so our clients' concerns were somewhat justified. However, the combination of elevated valuations and rising interest rates triggered a broad market correction in January, which began a massive rotation out of secular growers in the technology and consumer sectors in favor of cheaper multiple, cyclical stocks including energy, materials, and financials. On balance, our portfolios remain neutral in terms of growth versus value.

While equities tend to perform well through rising rate environments, prices have historically been sensitive to sharp changes (potential for a 50 bp increase in March) in the interest rate environment. As prices have already corrected sharply and fourth-quarter earnings have been solid thus far, the market has re-rated lower and now trades at 20x forward expectations. Following three years of well above average performance in US markets, our base case is that US equities could still generate a modest return this year given the earnings and technical support, but the ride will likely be volatile.

LIVESTREAM



A Conversation on Inflation

**Tuesday, March 1
10 AM EST**

[Register here](#)

Join us for our next Livestream where we will be joined by Dr. Elga Bartsch, Head of Macro Research at BlackRock Investment Institute, and Michael Crook, Chief Investment Officer at Mill Creek Capital Advisors. We will discuss the outlook for inflation, upcoming Fed action, and the likely impact on investment markets.

- **Elga Bartsch, PhD**, Head of Macro Research, BlackRock Investment Institute
- **Michael Crook, CAIA**, Chief Investment Officer, Mill Creek Capital Advisors
- Moderated by **Rachel Hassett**, Corporate Communications, Mill Creek Capital Advisors

Please contact your Mill Creek Client Service Team for more information.

This information is for educational purposes only. It is not intended to provide, and should not be relied upon for, investment, accounting, legal or tax advice.

QUICK LINKS

- [2022 Monitor Risk: Rising Interest Rates](#)
- [The "Hurry Up" is here](#)
- [Q1 2022 Outlook](#)
- [Year Ahead 2022: Hurry Up and Wait](#)

This week's contributor: Sam McFall, CFA, CAIA

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