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Dow 30

34,952.42 -36.42 (-0.10%)

Nasdaq

14,126.77 -12.98 (-0.09%)

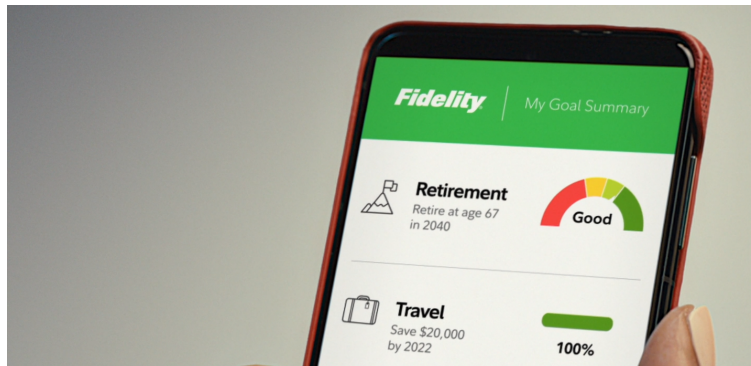
Russell 2000

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Crude Oil

91.28 -0.79 (-0.86%)

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Russia-Ukraine tensions, retail sales, Walmart earnings: What to know this week



Alexandra Semenova · Reporter

Sun, February 13, 2022, 3:02 PM · 10 min read

In this article:

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Choppiness in U.S. stocks is expected to persist this week as investors grapple with the prospect of swifter monetary

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Concerns over military action by the Kremlin have created a new headwind for investors, particularly after the White House warned on Friday that a possible invasion of Ukraine by Russia could come within days. The statement dealt a fresh blow to markets.

“The Russia-Ukraine tensions have hovered over already shaky investor sentiment,” Comerica Wealth Management Chief Investment Officer John Lynch said in a note. “Investors have been counting on a diplomatic resolution, but recent developments indicate this may be wishful thinking and therefore, not fully priced into the markets.”

The geopolitical tensions add to the uncertainty around central bank policy that has dominated market sentiment in recent months. Friday’s warning by the Biden administration weighed on stocks and sent oil prices soaring to a seven-year high.

“By pushing energy prices even higher, a Russian invasion would likely exacerbate inflation and redouble pressure on the Fed to raise interest rates,” Comerica Bank Chief Economist Bill Adams said in a note. “From the Fed’s perspective, the inflationary effects of a Russian invasion and higher energy prices would likely outweigh the shock’s negative implications for global growth.”

The Fed is already under pressure to act on the fastest increase in prices in 40 years. Wall Street was rattled last week by a highly-anticipated fresh print on the Labor Department’s Consumer Price Index (CPI), which notched a steeper-than-expected 7.5% increase over the year ended January to mark the largest annual jump since 1982. The surge heightened calls for the Federal Reserve to intervene more aggressively than anticipated to rein in soaring price levels, even raising the possibility of an emergency hike before the bank’s next policy meeting in March.

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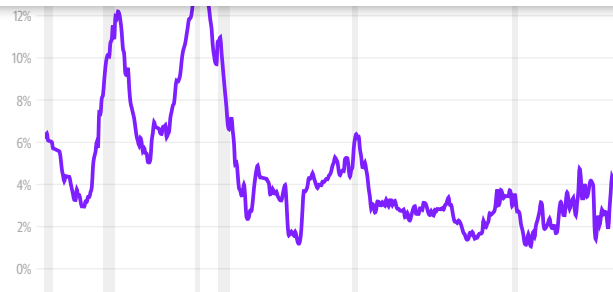
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“As the inflation fire burns even hotter, the Federal Reserve will have to bring an even bigger firehose to put it out,” FWDBONDS Chief Economist Chris Rupkey said in a note.

Worries over above-estimated inflation have raised questions about whether or not the [central bank might deliver on a 50 basis point move](#) in mid-March. The Fed has not executed a “double” rate increase in a single policy decision since May 2000.

Fed watchers including Goldman Sachs and Deutsche Bank had [ramped up their calls](#) on how many times policymakers will increase rates. Goldman now sees the Federal Reserve hiking short-term borrowing costs seven times this year rather than the five it had expected earlier, while Deutsche Bank projects a 50 basis point rate hike in March and five more 25 basis point increases in the year.

CME Group's FedWatch tool showed investors were pricing in a 99% chance Fed policymakers will raise rates by 50 basis points in March as of Friday, a jump of 24% from the probability reflected two days earlier.

Some experts say the projections are greatly exaggerated.

“Even with elevated levels of inflation, we expect the Federal Reserve to tighten less than the market expects in 2022,” Treasury Partners Chief Investment Officer Richard Saperstein said in a note.

“We do not expect the Federal Reserve to announce rate hikes at every meeting and such extreme tightening scenarios suggest that we’re currently witnessing peak Fed mania,” he wrote, adding a moderate tightening process through a combination of rate hikes and the implementation of quantitative tightening starting this summer were likely.

historically, the great majority of geopolitical events going back to World War II did not put much of a dent in equities and losses were typically recovered quickly.



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U.S. President Joe Biden holds virtual talks with Russia's President Vladimir Putin amid Western fears that Moscow plans to attack Ukraine, as Secretary of State Antony Blinken listens with other officials during a secure video call from the Situation Room [More](#)

“You can’t minimize what today’s news could mean on that part of the world and the people impacted, but from an investment point of view we need to remember that major geopolitical events historically haven’t moved stocks much,” Detrick said.

As an example, Detrick cited one of the best six-month runs in U.S. stocks ever following the assassination of President John F. Kennedy in November 1963.

“The truth is a solid economy can make up for a lot of sins,” Detrick added.

Stocks Usually Take Geopolitical Events In Stride

S&P 500 Index And Geopolitical Events

Market Shock Events	Event Date	S&P 500 Returns		Days	
		One Day	Total Drawdown	Bottom	Recovery
U.S. Pulls Out of Afghanistan	8/30/2021	0.4%	-0.1%	1	3
Iranian General Killed In Airstrike	1/3/2020	-0.7%	-0.7%	1	5
Saudi Aramco Drone Strike	9/14/2019	-0.3%	-4.0%	19	41
North Korea Missile Crisis	7/28/2017	-0.1%	-1.5%	14	36
Bombing of Syria	4/7/2017	-0.1%	-1.2%	7	18
Boston Marathon Bombing	4/15/2013	-2.3%	-3.0%	4	15
London Subway Bombing	7/5/2005	0.9%	0.0%	1	4
Madrid Bombing	3/11/2004	-1.5%	-2.9%	14	20
U.S. Terrorist Attacks	9/11/2001	-4.9%	-11.6%	11	31
Iraq's Invasion of Kuwait	8/2/1990	-1.1%	-16.9%	71	189
Reagan Shooting	3/30/1981	-0.3%	-0.3%	1	2
Yom Kippur War	10/6/1973	0.3%	-0.6%	5	6
Munich Olympics	9/5/1972	-0.3%	-4.3%	42	57
Tet Offensive	1/30/1968	-0.5%	-6.0%	36	65
Six-Day War	6/5/1967	-1.5%	-1.5%	1	2
Gulf of Tonkin Incident	8/2/1964	-0.2%	-2.2%	25	41
Kennedy Assassination	11/22/1963	-2.8%	-2.8%	1	1
Cuban Missile Crisis	10/16/1962	-0.3%	-6.6%	8	18
Suez Crisis	10/29/1956	0.3%	-1.5%	3	4
Hungarian Uprising	10/23/1956	-0.2%	-0.8%	3	4
N. Korean Invades S. Korea	6/25/1950	-5.4%	-12.9%	23	82
Pearl Harbor Attack	12/7/1941	-3.8%	-19.8%	143	307
Average		-1.1%	-4.6%	19.7	43.2

Source: LPL Research, S&P Dow Jones Indices, CFRA, 01/24/2021
 All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.
 The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 500.

The great majority of geopolitical events going back to World War II didn’t put much of a dent in stocks, with any losses made up quite quickly, according to Ryan Detrick, hief Market Strategist for LPL Financial.



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compared to December's decrease of 1.9%, but sales excluding autos, gasoline, building materials and food services is expected to rise at a softer 0.8%, according to Bloomberg data. This would compare to December's decline of 2.3%.

"The mom [month-over-month] gain in retail ex auto was negatively impacted by restaurants and gas spending, which were down 1.7% and 3.8% mom, respectively. As a result, the core control group, which nets out auto, gas, building and restaurants showed a strong 1.9% mom gain," said BofA Securities in a research note last week. "Keep in mind that the Census retail sales report does not capture services spending other than restaurants spending so the impact on Census Bureau data from the Omicron distortions will be fairly muted."

Although earnings season is slowly winding down, another docket of corporate results remains underway for investors to weigh against monetary and geopolitical conditions this week.

Retail giant Walmart ([WMT](#)) will report fiscal fourth quarter 2021 earnings Thursday before the bell which will provide a fresh look into supply-chain issues as well as consumer spending. Walmart is expected to report adjusted earnings of \$1.50 per share on revenue of \$151.51 billion for the quarter, according to Bloomberg consensus. U.S. same-store sales is expected to increase 6.1%, ahead of guidance of 5%, for the holiday shopping quarter, according to Bloomberg.

"We believe WMT's core business remained strong in F4Q following a strong F3Q (US comps were +9.2%, with transactions +5.7%), and given strong inventory positioning (supported by more favorable port access, long-term container shipping agreements and chartered vessel capacity) that likely supported share gains vs. smaller competitors this holiday," said BofA Securities in a research note on Feb. 10.

Other big-name companies to report earnings through Friday include ViacomCBS ([VIAC](#)), Airbnb ([ABNB](#)), Cisco Systems ([CSCO](#)), and Roku ([ROKU](#)).

On Capitol Hill, the fate of Federal Reserve Chairman Jerome Powell and a lineup of central bank nominees including Fed governor and vice chair pick Lael Brainard will be in focus as

• **Monday:** *No notable reports scheduled for release*

• **Tuesday:** Producer Price Index (PPI) final demand, month-over-month, January (0.5% expected, 0.2% in December, upwardly revised to 0.3%); PPI excluding food and energy, month-over-month, January (0.4% expected, 0.5% in December); PPI excluding food, energy, and trade, month-over-month, January (0.4% expected, 0.4% in December, downwardly revised to 0.3%); PPI year-over-year, January (9.0% expected, 9.7% in December); PPI, year-over-year, January (7.8% expected, 8.3% in December); PPI excluding food and energy, year-over-year, January (6.3% expected, 6.9% in December); PPI excluding food, energy, and trade, year-over-year, January (6.3% expected, 6.9% in December); Empire Manufacturing, February (11.0 expected, -0.7 during prior month); Net Long-Term TIC Outflows, December (\$137.4 billion during prior month); Total Net TIC Outflows, December (\$223.9 billion during prior month)

• **Wednesday:** MBA Mortgage Applications, week ended Feb. 11 (-8.1% during prior week); Retail Sales Advance, month-over-month, January (2.0% expected, -1.9% in December); Retail Sales excluding autos, month-over-month, January (0.8% expected, -2.3% in December); Retail Sales excluding autos and gas, month-over-month, January (1.0% expected, -2.5% in December); Import Price Index, month-over-month, January (1.3% expected, -0.2% in December); Import Price Index excluding petroleum, month-over-month, January (0.4% expected, 0.3% in December); Import Price Index, year-over-year, January (9.8% expected, 10.4% in December); Export Price Index, month-over-month, January (1.3% expected, -1.8% in December); Export Price Index, year-over-year, January (14.7% in December); Industrial Production, month-over-month, January (0.4% expected, -0.1% in December); Capacity Utilization, January (76.8% expected, 76.5% in December); Manufacturing (SIC) Production, January (0.3% expected, -0.3% in December); Business Inventories, December (2.1% expected, 1.3% in November); NAHB Housing Market Index, February (83 expected, 83 in January); FOMC Meeting Minutes, January 26



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(-7.2% expected, 9.1% in December, upwardly revised to 9.8%); Housing starts, January (1.700 million expected, 1.702 million in December); Housing starts, month-over-month, January (-0.1% expected, 1.4% in December); Initial jobless claims, week ended Feb. 12 (220,000 expected, 223,000 during prior week); Continuing claims, week ended Feb. 5 (1.621 million during prior week); Philadelphia Fed Business Outlook Index, February (20.0 expected, 23.2 in January)



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- **Friday:** Existing Home Sales, January (6.10 million expected, 6.18 million in December); Existing Home Sales, month-over-month, January (-1.3% expected, -4.6% in December); Leading Index, January (0.2% expected, 0.8% in December)

Earnings calendar

Monday

Before market open: TreeHouse Foods ([THS](#)), Weber Inc. ([WEBR](#))

After market close: Vornado Realty Trust ([VNO](#)), Avis Budget Group ([CAR](#)), Arista Networks ([ANET](#)), Advance Auto Parts ([AAP](#))

Tuesday

Before market open: Marriott International ([MAR](#))

After market close: ViacomCBS ([VIAC](#)), Wynn Resorts ([WYNN](#)), Airbnb ([ABNB](#)), Akamai Technologies ([AKAM](#)), Roblox ([RBLX](#)), Denny's ([DENN](#)), La-Z-Boy ([LZB](#)), Wyndham Hotels & Resorts Inc. ([WH](#)), ZoomInfo Technologies ([ZI](#))

Wednesday

Before market open: Kraft Heinz ([KHC](#)), Hilton Worldwide ([HLT](#)), Analog Devices ([ADI](#)), Shopify ([SHOP](#))

After market close: Cisco Systems ([CSCO](#)), Nvidia ([NVDA](#)), TripAdvisor ([TRIP](#)), AIG ([AIG](#)), DoorDash ([DASH](#)), Hyatt Hotels ([H](#)), Cheesecake Factory ([CAKE](#)), Marathon Oil ([MRO](#)), Energy Transfer ([ET](#))

Thursday

Before market open: Nestlé ([NSRGY](#)) Walmart ([WMT](#)), US Foods ([USFD](#)), Palantir Technologies ([PLTR](#)), AutoNation ([AN](#))

Before market open: Deere (DE), DraftKings (DKNG), Bloomin' Brands (BLMN), Allianz (ALIZY)



Alexandra Semenova is a reporter for Yahoo Finance. Follow her on Twitter @alexandraandnyc

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State Street strategist says markets have got carried away on interest rate-hike expectations

Des Lawrence, senior investment strategist at State Street Global Advisers, thinks the market may have gotten carried away with expectations for interest-rate hikes.

7h ago

MarketWatch

Gold settles at 8-month high as tension over Ukraine resurfaces

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The Olympic diver is set to row, bike, swim and run from London to Plymouth for Comic Relief.

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Fed not wedded to particular pace of rate hikes, minutes show

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Kraft Heinz shares rise after earnings beats expectations

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Shares of entertainment company ViacomCBS (NASDAQ: VIAC), which announced Tuesday evening that it's changing its name to Paramount Global, reported earnings last night. Today, shares of Paramount (the nam...

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Upstart Holdings Stock Soared Today -- Is It a Buy?

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Why Shopify Stock Cratered on Wednesday

Shares of Shopify (NYSE: SHOP) got crushed on Wednesday, tumbling as much as 18.4%. For the fourth quarter, Shopify generated revenue of \$1.38 billion, up 41% year over year. At the same time, subscription revenue of...

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The e-commerce tools provider cratered after its earnings report. What does this mean for investors?



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