
MONTHLY MARKET UPDATE

June 2022

OVERVIEW

The markets are famously forward looking, but it is never without some strain. The myopia has been particularly strong this year. When the market heads up, is it a sign of a bottom or just a bear market rally? When the market dips, is it the beginning of a deep dive or a blip that shouts buying opportunity? The best way to sort out these possible futures is a deep examination of similar pasts. But we live in rapidly changing times with any number of unprecedented circumstances. This past May was a good example as the stock market stuttered and jumped and finally finished the month virtually flat. The S&P 500® returned 0.2% for the month, bringing the year-to-date return to -12.8%. Within that seemingly placid May, things were considerably more exciting, with the Index jumping up 4% early in the month before taking a dive to -5.6% on May 20th and then erasing that entire loss by month end. Meanwhile, the bond market remained relatively stable, with the yield curve flat, despite the anticipation of half-point rate increases from the Federal Reserve coming in June and July. This calm in the bond market is normally a plus for stocks, although the “normal” should be read with appropriate caveats.

Investment results so far this year have varied considerably based on the type of stocks and assets held. For instance, the tech-heavy NASDAQ 100 was down -22.3% year-to-date through May, 9.5% more than the broader market as measured by the S&P 500. The more speculative growth stock indices have lost considerably more than the lower-valued stocks in the value indices. True also by sector as the S&P Energy Sector popped 58% while the Consumer Discretionary Sector dipped more than -24%. These trends generally held true in May.

One source of uncertainty are the consequences of the Federal Reserve’s commitment to begin unwinding its massive \$9 trillion asset portfolio. The impact of not re-investing approximately \$95 billion of bonds and notes a month as they mature is not a scenario with good antecedents. In effect, this unwinding is the reverse of stimulus, helping put the brakes on the economy. The Fed’s main concern at this moment is tamping down inflation, and the unwinding of monetary stimulus is part of this, along with rate increases. While the rate of inflation has moderated slightly so far this year, it is running much higher than the Fed’s targeted 2%. Much of the angst among investors is trying to calculate the impact of the Fed’s inflation fighting efforts. One aspect that seems inarguable is that both inflation and higher interest rates hit the lower income segment of the population hardest. The Fed’s focus on taming inflation recognizes this pain while acknowledging that persistent inflation is the least attractive outcome and would wreak havoc across the economy.

LOOKING FORWARD

We believe a lot of the negative news that has echoed around the world, from the war in Ukraine to Chinese lockdowns and higher fuel prices, has been discounted by the market. That said, this summer will see a series of key economic reports which will shed light on the state of the U.S. economy. We will be watching for early indicators of evolving employment, wage growth, inflation, consumer confidence, and consumer demand. With uncertainty high, investors should be prepared for sharp reactions to every one of these releases.



MONTHLY MARKET UPDATE

As of May 31, 2022

U.S. EQUITIES (%)

	May	YTD	1 Year	3 Year	5 Year	10 Year
DJ Industrial Average	0.3	-8.4	-2.6	12.3	11.9	12.9
S&P 500	0.2	-12.8	-0.3	16.4	13.4	14.4
Russell 1000	-0.2	-13.7	-2.7	16.0	13.1	14.2
Russell 1000 Value	1.9	-4.5	0.9	12.8	9.5	12.1
Russell 1000 Growth	-2.3	-21.9	-6.3	18.3	16.1	16.1
Russell Midcap	0.1	-12.9	-6.8	12.9	10.5	12.8
Russell 2000	0.2	-16.6	-16.9	9.7	7.7	10.8

U.S. EQUITY CHARACTERISTICS - S&P 500

	May	2021
Price/Earnings Ratio	20.1	25.5
Weighted Avg. Market Cap (\$B)	517.7	674.3
Dividend Yield (%)	1.5	1.2

INTERNATIONAL EQUITIES (%)

	May	YTD	1 Year	3 Year	5 Year	10 Year
ACWI	0.1	-12.8	-6.8	11.7	9.0	10.3
ACWI ex USA	0.7	-10.7	-12.4	6.5	4.4	6.4
MSCI EAFE	0.7	-11.3	-10.4	6.4	4.2	7.2
Emerging Markets	0.4	-11.8	-19.8	5.0	3.8	4.2
China	1.2	-16.7	-35.9	-0.1	1.3	5.0
Japan	1.6	-13.4	-13.3	5.1	3.7	7.0
Germany	3.1	-17.6	-21.8	3.1	0.0	6.0
United Kingdom	1.7	-0.2	2.5	6.0	3.7	5.4
India	-5.8	-9.1	1.4	9.7	8.6	9.7

FIXED INCOME (%)

	May	YTD	1 Year	3 Year	5 Year	10 Year
Government Bond	0.2	-8.2	-7.4	-0.3	0.9	1.1
Municipal	1.5	-7.5	-6.8	0.5	1.8	2.5
U.S. Aggregate Bond	0.6	-8.9	-8.2	0.0	1.2	1.7
Investment Grade Corporate	0.9	-11.5	-10.0	0.6	1.8	2.8
High Yield	0.2	-8.0	-5.3	3.3	3.6	5.4

U.S. EQUITY SECTORS - S&P 500 (%)

	May	YTD	Weight
Consumer Staples	-4.6	-3.2	10.8
Energy	15.8	58.5	4.8
Materials	1.1	-4.7	2.5
Real Estate	-5.0	-14.1	2.8
Utilities	4.3	4.7	3.0
Health Care	1.4	-5.8	14.5
Industrials	-0.5	-10.1	8.2
Financials	2.7	-8.8	13.4
Information Technology	-0.9	-19.4	24.4
Consumer Discretionary	-4.9	-24.7	6.9
Communication Services	1.8	-24.3	8.8

KEY ASSET PRICES

	May	2021
EUR/USD	1.1	1.1
CAD/USD	1.3	1.3
JPY/USD	127.1	115.2
Bitcoin (\$)	31,768.0	47,413.3
Gold (\$/oz)	1,840.0	1,816.0
Crude Oil (WTI) (\$/bbl)	115.3	77.0

U.S. TREASURY YIELDS (%)

	May	2021
3-Month	1.2	0.1
6-Month	1.6	0.2
2-Year	2.5	0.7
5-Year	2.8	1.3
10-Year	2.9	1.5
30-Year	3.1	1.9

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The Nasdaq-100 includes 100 of the largest domestic and international non-financial companies listed on the Nasdaq Stock Market based on market capitalization.

The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The S&P 500® Index is an unmanaged index of large companies and is widely regarded as a standard for measuring large-cap and mid-cap U.S. stock-market performance. Results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

The Russell 1000® Index measures the performance of the 1,000 largest companies in the Russell 3000® Index, which represents approximately 89% of the total market capitalization of the Russell 3000 Index.

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International Equities Definitions

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets countries (excluding

the US) and 23 Emerging Markets countries. With 1,843 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

The MSCI EAFE (Europe, Australasia & Far East) Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada.

Emerging Markets - MSCI Emerging Market Index – captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,138 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

China - MSCI China Index - captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs).

Japan - MSCI Japan Index - is designed to measure the performance of the large and mid cap segments of the Japanese market.

Germany - MSCI Germany Index - is designed to measure the performance of the large and mid cap segments of the German market.

United Kingdom - MSCI United Kingdom Index - is designed to measure the performance of the large and mid cap segments of the UK market.

India - MSCI India Index - is designed to measure the performance of the large and mid cap segments of the Indian market.

Fixed Income Definitions

Government Bond - Bloomberg US Government Index - measures the performance of the U.S. Treasury and U.S. Agency Indices, including Treasuries and U.S. agency debentures. It is a component of the U.S. Government/Credit Index and the U.S. Aggregate Index.

Municipal - Bloomberg U.S. Municipal Index - covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

U.S. Aggregate Bond - Bloomberg U.S. Aggregate Bond Index - is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

Investment Grade Corporate - Bloomberg U.S. Credit Index - measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

High Yield - Bloomberg U.S. Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded.

Definitions

Weighted Avg. Market Cap: measures the size of the companies in which the portfolio invests. Market capitalization is calculated by multiplying the number of a company’s shares outstanding by its price per share.

Price-to-Earnings (P/E) Ratio: measures how expensive a stock is. It is calculated by the weighted average of a stock’s current price divided by the company’s earnings per share of stock in a portfolio.

Dividend Yield: the portfolio’s weighted average of the underlying portfolio holdings and not the yield of the portfolio.