Weekly Market Recap

July 5, 2022

	Price	Price Returns	
Index	**Close**	**Week**	**YTD**
S&P 500® Index	3,825	-2.2%	-19.7%
Dow Jones Industrial Average	31,097	-1.3%	-14.4%
NASDAQ	11,128	-4.1%	-28.9%
Russell 2000® Index	1,728	-2.2%	-23.1%
MSCI EAFE Index	1,846	5.3%	-15.6%
10-Year Treasury Yield	2.89%	-0.2%	1.3%
Oil WTI[1] ($/bbl[2])	$108.16	0.5%	43.8%
Bonds[3]	$102.35	1.3%	-10.1%

[1]WTI = West Texas Intermediate Oil. [2]bbl = Barrel. [3]Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -2.2% this week and gave back some of the gains from the prior week, as concerns related to potential earnings disappointments, Federal Reserve tightening, and elevated inflation weighed on investor sentiment. Fed Chair Powell said that while the Fed's aim is to keep growth positive, there's no guarantee it can achieve positive growth. The Chicago Mercantile Exchange (CME)'s FedWatch tool now shows only a 65% chance of a 75 basis points (bps) hike in July, which is lower from over 95% last week. Futures Markets also see rates peaking at 3.25-3.50% by December, followed by 50 bps of rate cuts by July 2023. Friday’s June Institute for Supply Management (ISM) manufacturing index fell to a post-2020 low on softer new order trends. The Atlanta Fed’s GDPNow model now expects a 2.1% contraction, which would represent its second straight quarterly contraction. Treasury yields dropped, including the ten-year, which fell 24 bps. The dollar was stronger, gold declined -1.6%, and WTI rose a modest +0.5%.

- S&P 500 Index Sector Returns (Price Return):
  - Utilities (+4.1%), healthcare (+0.4%), consumer staples (+0.3%), and real estate investment trusts (REITs) (-0.7%) outperformed, as investors favored more defensive stocks.
  - Energy (+1.3%) rose, as the price of WTI increased +0.5%.
  - Industrials (-0.8%) underperformed, with weakness industrial conglomerates.
  - Financials (-1.5%) underperformed, as banks lagged.
  - Materials (-3.1%) fell, with weakness from industrial metals stocks.
  - Technology (-4.5%) fell, led lower by semiconductor and software equities.
  - Communication services (-4.5%) dropped, led lower by social media and internet.
  - Consumer discretionary (-4.7%) fell, led by autos, retail, and travel stocks.

- Since 1948, the length of the average bear market was 388 days, but bear markets have been as short as 33 days and as long as 630 days. During the last 11 bear markets, the average decline was -34.2%, with the smallest decline at -20.6% and the greatest decline at -56.8%.

Exhibit 5: Bear Market History As A Guide.

The duration of the 12 bear markets since the World War II era...

Peak	Trough	Decline, %	Duration, in days
June 15, 1948	June 13, 1949	−20.6	363
July 15, 1957	Oct. 22, 1957	−20.7	99
Dec. 12, 1961	June 26, 1962	−28.0	196
Feb. 9, 1966	Oct. 7, 1966	−22.2	240
Nov. 29, 1968	May 26, 1970	−36.1	543
Jan. 11, 1973	Oct. 3, 1974	−48.2	630
Nov. 28, 1980	Aug. 12, 1982	−27.1	622
Aug. 25, 1987	Dec. 4, 1987	−33.5	101
March 24, 2000	Oct. 9, 2002	−49.1	929
Oct. 9, 2007	March 9, 2009	−56.8	517
Feb. 19, 2020	March 23, 2020	−33.9	33
Jan. 3, 2022	*June 16, 2022**	*-23.5**	*164*

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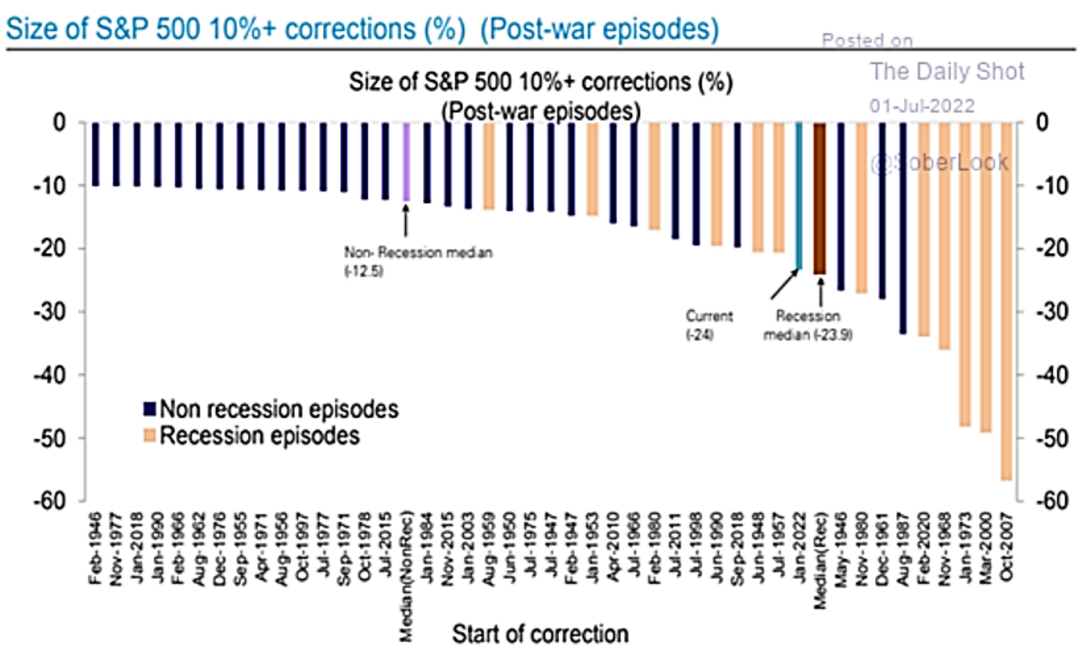
...and how long it took to recover from them.

New record high	Days from trough to new record high
Sept. 22, 1954	1,927
Sept. 24, 1958	337
Sept. 3, 1963	434
May 4, 1967	209
March 6, 1972	650
July 17, 1980	2,114
Nov. 3, 1982	83
July 26, 1989	600
May 30, 2007	1,694
March 28, 2013	1,480
Aug. 18, 2020	148

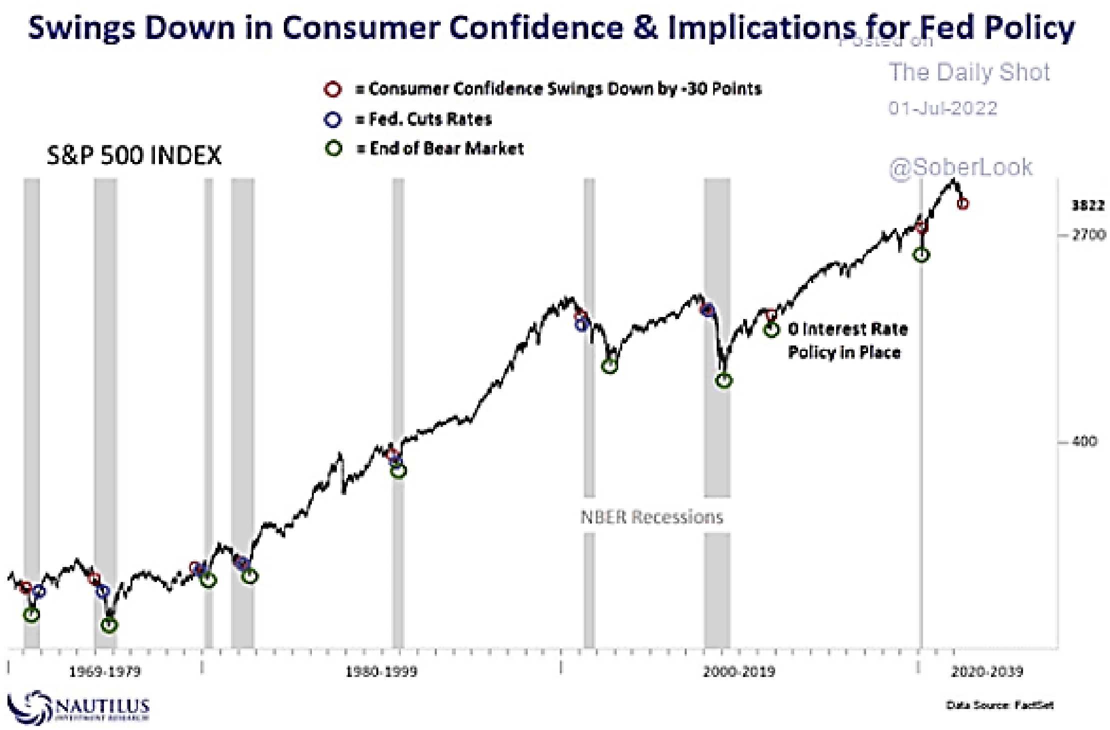
Sources: The Daily Shot; Merrill Lynch.

- Historically, the S&P 500 Index had a median correction (decline over 10%) of -12.5% in non-recessionary periods, and a median correction of -23.9% in recessionary periods.



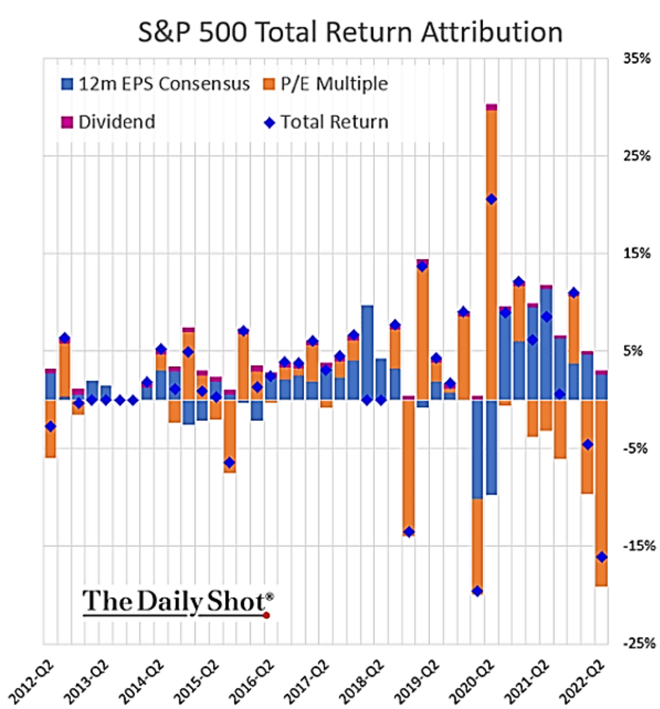
Source: The Daily Shot.

- Previously, significant declines in consumer confidence (30 point drops) preceded interest rate cuts and bear market bottoms.



Source: The Daily Shot.

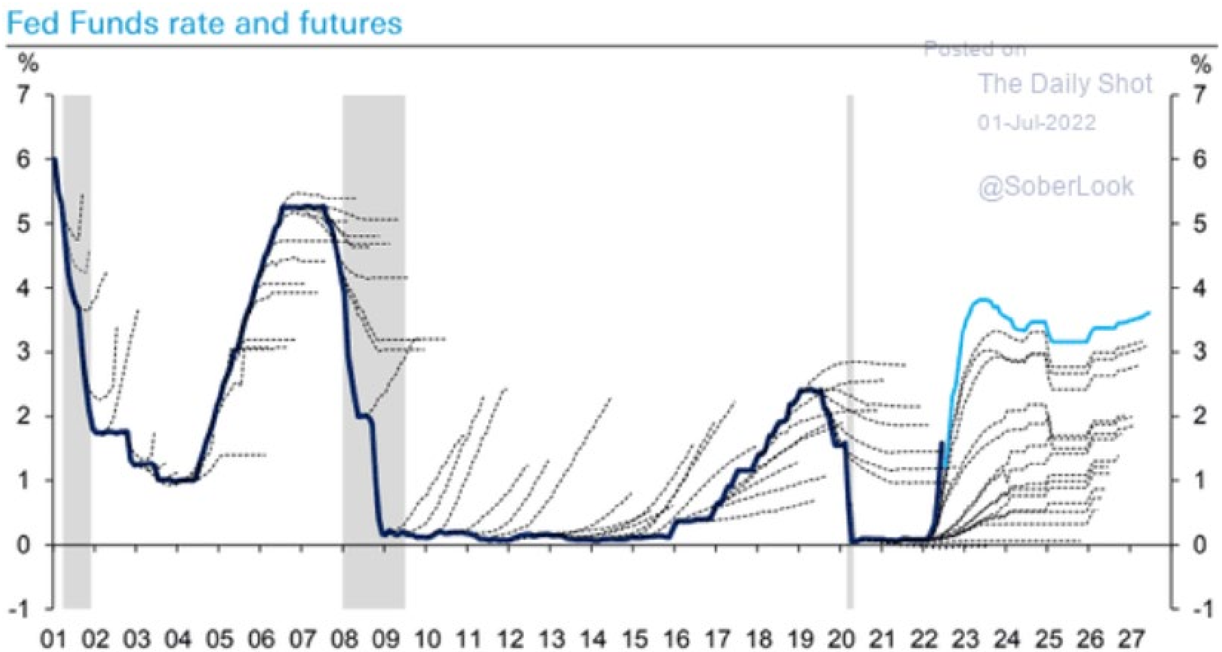
- The chart below shows that the price over earnings (P/E) multiple (orange bars) contracted in both the first and second quarters of 2022, while the 12-month earnings consensus (blue bars) continue to remain positive.



Source: The Daily Shot.

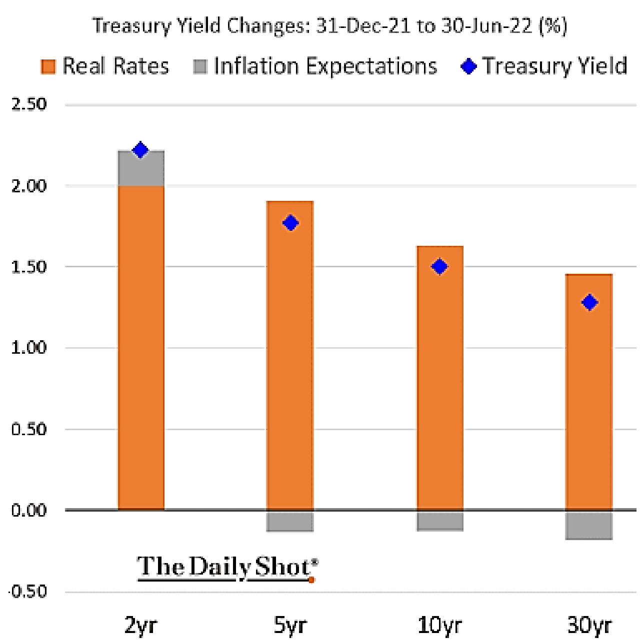
Fixed Income Markets

- The chart below shows the fed funds rate (solid black line) and the futures market's expectations (dotted black line) for the fed funds rate over time. The futures market is currently expecting the fed funds to continue to increase in the short-term (blue line). However, historically, the futures market has not been precisely accurate.



Y axis is the interest rate in percentage. Source: The Daily Shot.

- The front-end of the Treasury curve (two-year and five-year) increased faster than the long-end (ten-year and 30-year) as the Federal Reserve raised the fed funds rate in order to lower inflation.



Sources: The Daily Shot; Bloomberg.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 7.

U.S. Economic and Political News

- Fed Chair Powell said that while the Fed's aim is to keep growth positive, there's no guarantee it can achieve positive growth. Powell also said the Fed's biggest risk isn't that it goes too far with policy, but rather is failing to restore price stability. Bloomberg noted that Powell's comments added to fears that the Fed could tighten policy too aggressively to fight inflation, leading to a recession.
- June consumer confidence was weaker than expected, and at the lowest level since 2013.
- On a positive note, May core personal consumption expenditures (PCE) inflation of 0.3% month-over-month was below expectations of 0.5%, which may have signaled a slowdown in the inflation rate.

International Markets and News

- The Chinese stock market (Shanghai Composite) rose +1.3%, as strong factory data and easing COVID-19 restrictions improved sentiment for equities.
- European markets (STOXX 600 Index) fell -1.4%, as fears of elevated inflation and rising rates may drive the European economy into a recession.
    - European Central Bank (ECB) President Lagarde reiterated her guidance for an increase of 25 bps followed by another hike in September, with the size of the hike dependent on incoming data.
- Japanese equities (Nikkei 225 Index) fell -2.1%, as the global tightening cycle, global recession risks, and the Bank of Japan's large manufacturing survey showed weaker sentiment weighed on sentiment for Japanese equities.

Please reference important disclosures on page 7.

This Week:

- Corporate earnings reports will be light this week.
- U.S. Economic data:
  - Monday: U.S. equity market Holiday;
  - Tuesday: Building Permits, Factory Orders;
  - Wednesday: MBA Mortgage Purchase Applications, Services PMI, JOLTS;
  - Thursday: Challenger Job Cuts, ADP Employment Report, Trade Balance, Ivey PMI;
  - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Employment, Consumer Credit.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

The S&P 500® Buyback Index is designed to measure the performance of the top 100 stocks with the highest buyback ratios in the S&P 500.

The Credit Default Swap Index (CDX), formerly the Dow Jones CDX, is a benchmark financial instrument made up of credit default swaps (CDS) that have been issued by North American or emerging market companies.

Technical Terms: **The Price Earnings Ratio (P/E Ratio)** is the relationship between a company's stock price and earnings per share (EPS). It is a popular ratio that gives investors a better sense of the value of the company. The P/E ratio shows the expectations of the market and is the price you must pay per unit of current earnings (or future earnings, as the case may be). (Technical definitions are sourced from Corporate Finance Institute.)

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