June 2022

Summary

Investors entered June with optimism, the previous month had provided hope that inflation may be easing, perhaps giving the Fed some breathing room to slow the pace of the tightening cycle, and markets had produced positive returns in May. Perhaps the worst was over? Instead, it was more bad news, as inflation came in higher than expected, forward earnings guidance was slashed, and the Fed increased short rates by 75 basis points, the largest upward move since 1994. Hope of a quick recovery for stocks quickly faded into recession fears, as slowdowns in the hot housing and employment markets, and a possible pull back in consumer spending materialized on the horizon during the month.

Equities

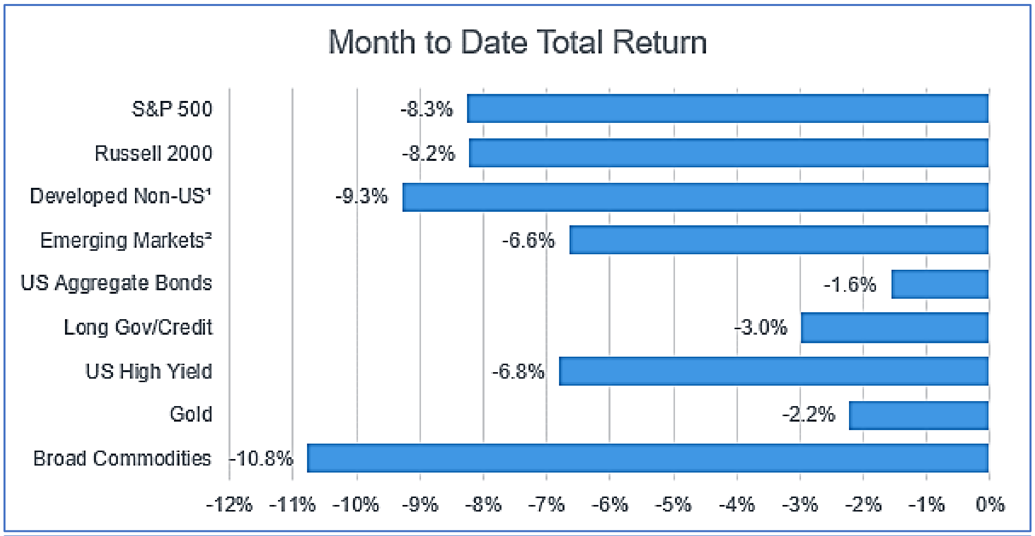
The S&P 500 closed out the worst first half for stocks in over 50 years, plummeting over 8% in June. While corporate earnings were in line with expectations, forward guidance became increasingly dour as the month progressed, and investors began pricing in a recession as early as the second half of this year. Inflationary pressures continued to wreak havoc overseas, with eurozone inflation hitting 8.6% amid an energy crunch exacerbated by the continued embargo on Russian exports, and the United Kingdom realized a 9.1% increase in consumer prices, the highest rate seen there in 4 decades. Against this backdrop, global stocks faded in lockstep with domestic markets, developed stocks declined by 8%, while emerging markets sold off to a 6.6% loss.

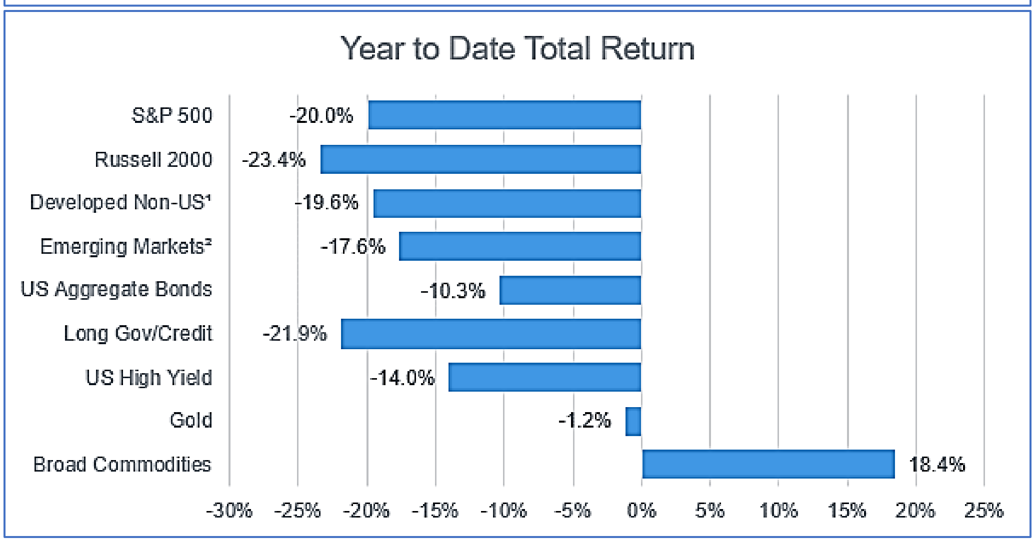
Fixed Income

Interest rates took a wild ride in June, spiking mid-month as the Federal Reserve lifted the short rate to combat inflation, before dropping into month-end on recession fears. The ten-year Treasury yield traded as high as 3.5% before finishing June near 3%. Credit spreads widened throughout the month, ending at their highest levels since the onset of the COVID pandemic. Credit and duration continued to underperform amidst these headwinds, with the high-yield bond index dropping nearly 7% for June. The Bloomberg Aggregate Bond Index concluded its worst first half in its 46-year history, declining 1.6% for the month.

Market Trends

As of June 30, 2022





	1M	3M	YTD	1Y	3Y	5Y	10Y
S&P 500	-8.3%	-16.1%	-20.0%	-10.6%	10.6%	11.3%	13.0%
Russell 2000	-8.2%	-17.2%	-23.4%	-25.2%	4.2%	5.2%	9.4%
Developed Non-US[1]	-9.3%	-14.5%	-19.6%	-17.8%	1.1%	2.2%	5.4%
Emerging Markets[2]	-6.6%	-11.4%	-17.6%	-25.3%	0.6%	2.2%	3.1%
US Aggregate Bonds	-1.6%	-4.7%	-10.3%	-10.3%	-0.9%	0.9%	1.5%
Long Gov/Credit	-3.0%	-12.3%	-21.9%	-20.1%	-2.3%	1.0%	2.6%
US High Yield	-6.8%	-10.0%	-14.0%	-12.7%	0.0%	2.0%	4.4%
Gold	-2.2%	-7.5%	-1.2%	2.0%	8.5%	7.8%	1.2%
Broad Commodities	-10.8%	-5.7%	18.4%	24.3%	14.3%	8.4%	-0.8%

1 - MSCI EAFE
2 - MSCI – EM
Source: Bloomberg

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