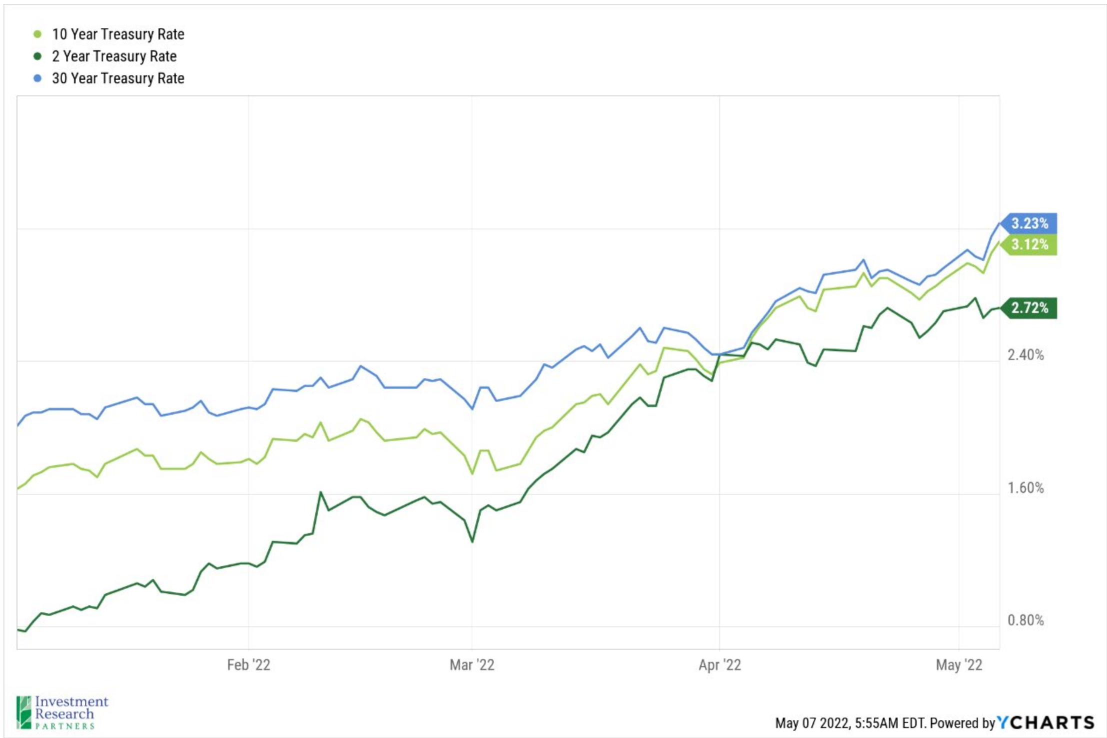
Weekly Investment Update

May 9, 2022

It was another busy, and volatile, week in the markets. The US Federal Reserve (Fed) moved forward with the much anticipated 50-bps interest rate hike on Wednesday and equity markets immediately rallied on the news. However, the euphoria was short-lived, as most equity indexes gave up Wednesday's gains and more on Thursday.[1] The S&P 500, a proxy for US large-cap stocks ended the week down slightly (-0.2%), while the MSCI ACWI, a proxy for global large-cap stocks, retreated 1.5%.[2]

Although equity markets remain front-of-mind for most investors, the inflation we are experiencing and the Fed's efforts to rein it in by raising rates has major implications in bond markets, as well. While all US Treasury rates have increased so far this year, short and intermediate term rates (dark and light green lines, respectively) have risen dramatically. Bond prices move in the opposite direction as interest rates, so the rising rate environment has also translated into a difficult environment for bond investors so far this year.



Last week's volatility felt like a microcosm of 2022 so far year to date, as the stock market *feels* like it is making big moves in one direction or the other several times each week. To find out if the beginning of this year actually has been more volatile than average statistically speaking, we took a look at the daily S&P 500 index returns since 2000. What we found was that on average, the S&P 500 index either advanced or declined more than one percent on 69 trading days each calendar year. Positive days (days when the index advanced more than one percent), on average, slightly outpaced negative days – 35 days versus 34 days.

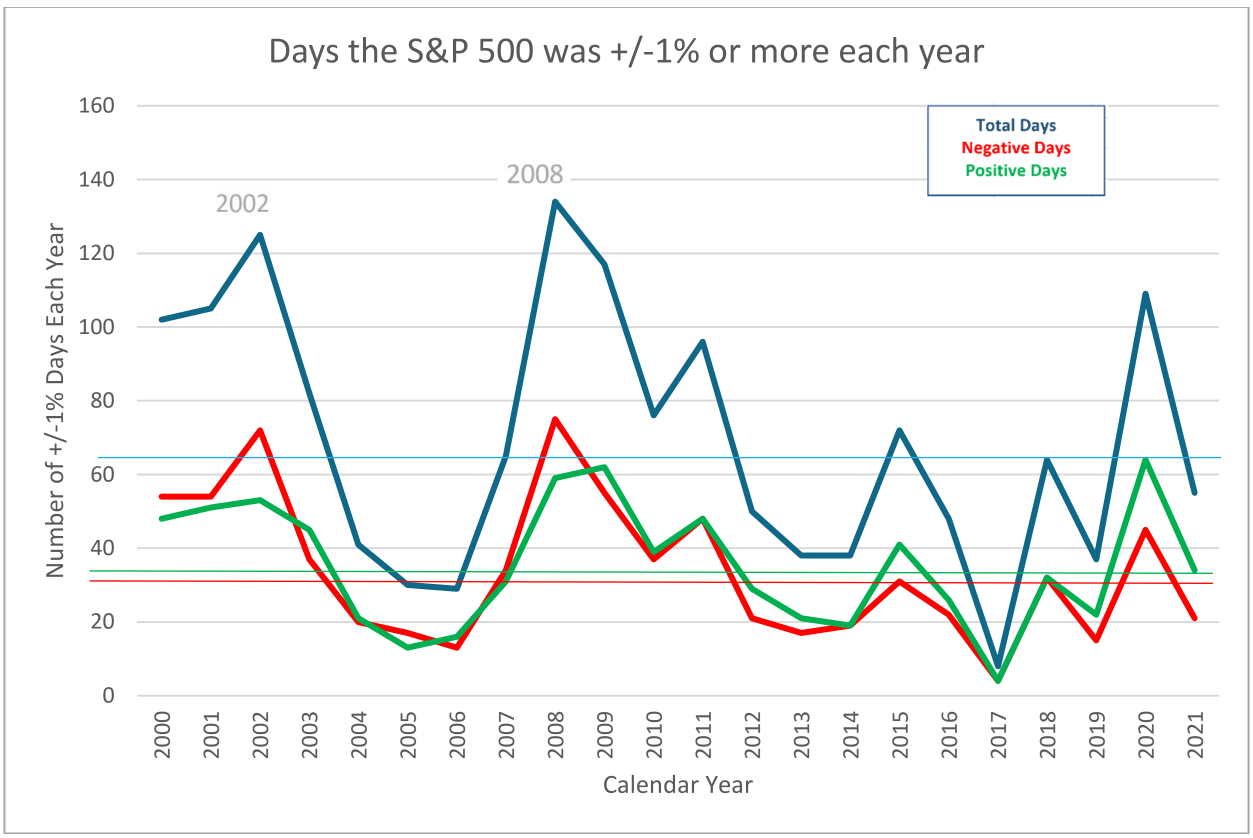
[1] Source: Dow, S&P 500 Slide More Than 3% as Investors Reassess Fed Comments - WSJ

[2] Source: YCharts

Through the end of April, we have experienced 42 days this year in which the index has advanced or declined more than one percent, with negative days easily outpacing positive days – 24 versus 18. Those numbers are below the calendar year average, but we are only one-third of the way through 2022. When you annualize the data, we are on a pace to experience 126 days in which the index moves +/-1%, with 72 of those days being negative (both significantly above average).

Time Period	Negative Days	Positive Days	Total Days
2000-2021 Avg.	33.8	35.4	69.1
2022 YTD Annualized	72.0	54.0	126.0

Below, we have illustrated the data in graphical format. The blue line represents days in which the index moved more than one percent in either direction, the red line captures negative days, and the green line captures positive days. The horizontal lines represent annual averages for each from 2000-2021. The 2022 annualized volatility figures, if the pace continues, are rivaled only by 2002 (Dot-Com Bubble popping) and 2008 (Great Financial Crisis) in terms of volatility and down days.[3]



In summary, it *has* been a volatile start to the year statistically speaking. However, it is important to remember that the turbulence we are experiencing this year comes after a strong stock market rally out of the pandemic lows of 2020. As a result, we continue to recommend that clients stick to long-term plans, while we continue to search for attractive investment opportunities that can arise during volatile periods.

[3] Source: YCharts (data as of April 30, 2022)

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Prices & Interest Rates

Representative Index	Current	Year-End 2021
Crude Oil (US WTI)	$110.61	$75.37
Gold	$1,886	$1,828
US Dollar	103.66	95.67
2 Year Treasury	2.72%	0.73%
10 Year Treasury	3.12%	1.52%
30 Year Treasury	3.23%	1.93%

Source: Morningstar, YCharts, and US Treasury as of May 7, 2022

Asset Class Returns

Category	Representative Index	YTD 2022	Full Year 2021
Global Equity	MSCI All-Country World	-14.2%	18.5%
Global Equity	MSCI All-Country World ESG Leaders	-15.3%	20.8%
US Large Cap Equity	S&P 500	-13.1%	28.7%
US Large Cap Equity	Dow Jones Industrial Average	-8.9%	21.0%
US Small Cap Equity	Russell 2000	-17.8%	14.8%
Foreign Developed Equity	MSCI EAFE	-14.5%	11.3%
Emerging Market Equity	MSCI Emerging Markets	-15.8%	-2.5%
US Fixed Income	Bloomberg Barclays Municipal Bond	-9.5%	1.5%
US Fixed Income	Bloomberg Barclays US Agg Bond	-10.5%	-1.5%
Global Fixed Income	Bloomberg Barclays Global Agg. Bond	-12.4%	-4.7%

Source: YCharts as of May 7, 2022