



Financial Markets Stabilize & Retailers Highlight Inflation's Impact

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Monthly Market Summary

- The S&P 500 Index produced a +0.2% total return during May, in line with the Russell 2000 Index's +0.2% total return.
- Energy was the top performing S&P 500 sector during May, returning +16% as the price of WTI Oil rose +9.5%. Consumer Discretionary was the worst performing sector, returning -5.1% as Amazon and Tesla both traded lower. Consumer Staples was the third-worst performing sector, returning -4.1% as weak earnings weighed on retail stocks (refer to comments below).
- Corporate investment grade bonds generated a +1.9% total return, slightly outperforming corporate high yield bonds' +1.6% total return.
- The MSCI EAFE Index of global developed market stocks returned +2% during May, outperforming the MSCI Emerging Market Index's +0.6% return.

Equity & Credit Markets Stabilize After April's Selloff

The S&P 500 was flat during May. While the +0.2% return was a welcome sight after April's -8.8% decline, the S&P 500's daily price movements remained volatile with the index down more than -5% at its lowest point. In the credit markets, corporate bonds produced positive total returns as Treasury yields stabilized.

Looking at the big picture, Federal Reserve policy and inflation remain top of mind for investors. The Federal Reserve raised its benchmark interest rate +0.50% at May's meeting and is expected to follow-up with +0.50% increases at both the June and July meetings. Separately, data showed inflation accelerated +8.3% year-over-year during April 2022 and remains near a 40-year high. The Federal Reserve wants to see evidence inflation pressures are easing, which leaves investors debating how far and fast the central bank will increase interest rates to combat high inflation. The near-term investment outlook remains particularly uncertain as the market searches for direction.

Retailer Earnings Underscore Inflation's Impact on Businesses & Consumers

Walmart and Target both reported underwhelming first-quarter 2022 earnings. Both retailers were caught flat-footed by not raising prices fast enough in response to increased supply chain costs. The two retailers also saw their inventories grow by +30%, reflecting price increases by their vendors but also softening consumer demand for discretionary purchases, such as home goods and apparel. Walmart's CEO said, "... the rate of inflation in food pulled more dollars away from GM [general merchandise] than we expected as customers needed to pay for the inflation in food." Looking ahead, the two retailers signaled the potential for additional price increases. Target's CEO said, "... you should expect us to surgically pass along costs where appropriate."

The earnings reports caused retail stocks to selloff and highlighted three key themes. First, inflation pressures are strong and catching companies off-guard. Walmart revised its forecasted earnings lower, while Target did not provide an update. Second, inventories ballooned after the retailers restocked at higher prices and consumers shifted spending due to rising prices. It could take multiple quarters to work through the excess inventories. Third, additional price increases may be coming as companies focus on maintaining profit margins. The three themes demonstrate inflation's worrying impact, which our team will continue to monitor.

THIS MONTH IN NUMBERS

FIGURE 1

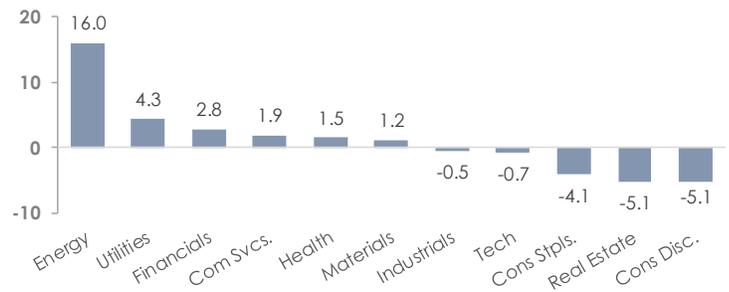
U.S. Style Returns (May in %)

	Value	Blend	Growth
Large	2.0	0.2	-2.3
Mid	1.9	0.1	-3.9
Small	1.9	0.2	-1.8

Data Reflects Most Recently Available As of 5/31/2022

FIGURE 2

U.S. Sector Returns (May in %)



Data Reflects Most Recently Available As of 5/31/2022

FIGURE 3

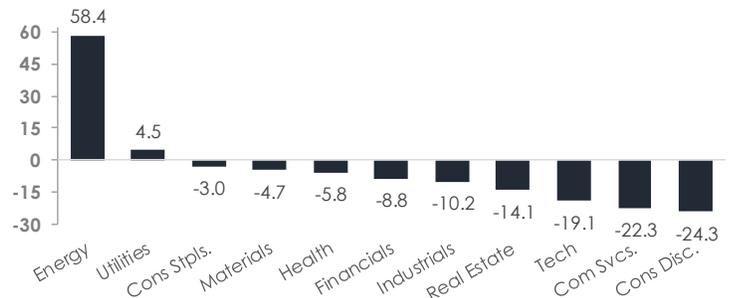
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	-4.6	-12.8	-21.9
Mid	-6.0	-13.0	-25.5
Small	-8.3	-16.5	-24.7

Data Reflects Most Recently Available As of 5/31/2022

FIGURE 4

U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 5/31/2022

FIGURE 5

Market Data Center

Stocks	Level	1 month	3 months	YTD	1 year	3 years
S&P 500	4,132	0.2%	-5.1%	-12.8%	-0.3%	56.2%
Dow Jones	32,990	0.4%	-2.2%	-8.4%	-2.7%	40.1%
Russell 2000	4,633	0.2%	-8.7%	-16.5%	-16.9%	31.3%
Russell 1000 Growth	1,583	-2.3%	-10.8%	-21.9%	-6.4%	64.0%
Russell 1000 Value	968	2.0%	-1.1%	-4.6%	0.8%	40.9%
MSCI EAFE	1,270	2.0%	-4.4%	-11.0%	-10.1%	20.4%
MSCI EM	62,803	0.6%	-8.8%	-12.7%	-20.5%	12.0%
NASDAQ	12,081	-1.6%	-11.0%	-22.4%	-7.2%	80.2%

Dividend Yield	NTM P/E	P/B
1.41%	17.5x	4.2x
1.80%	16.7x	4.5x
1.13%	16.8x	2.1x
0.66%	22.4x	10.8x
1.77%	14.1x	2.5x
3.74%	12.6x	1.7x
2.28%	11.0x	1.7x
0.56%	21.8x	7.1x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	1.89%	0.8%	-5.8%	-8.7%	-8.0%	0.2%
U.S. Corporates	2.63%	1.9%	-7.7%	-12.9%	-10.8%	3.4%
Municipals (10 yr)	1.88%	1.5%	-3.6%	-6.5%	-5.8%	2.0%
High Yield	4.45%	1.6%	-3.9%	-7.2%	-4.8%	7.6%

Commodities	Level	1 month	YTD
Oil (WTI)	114.67	9.5%	52.5%
Gasoline	3.69	8.9%	65.9%
Natural Gas	8.15	10.7%	129.0%
Propane	1.24	-5.5%	19.1%
Ethanol	2.54	-8.0%	3.3%
Gold	1,848	-3.7%	1.1%
Silver	21.69	-6.1%	-7.1%
Copper	4.30	-2.3%	-3.6%
Steel	1,190	-15.0%	-17.1%
Corn	7.54	-7.4%	27.0%
Soybeans	17.21	0.9%	31.1%

Key Rates	5/31/2022	4/30/2022	2/28/2022	11/30/2021	5/31/2021	5/31/2019
2 yr Treasury	2.54%	2.69%	1.43%	0.52%	0.14%	1.95%
10 yr Treasury	2.84%	2.89%	1.84%	1.44%	1.58%	2.14%
30 yr Treasury	3.05%	2.94%	2.19%	1.78%	2.26%	2.58%
30 yr Mortgage	5.24%	5.41%	4.30%	3.23%	3.10%	4.03%
Prime Rate	4.00%	3.50%	3.25%	3.25%	3.25%	5.50%

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