Weekly Market Commentary
July 18, 2022

The Markets

Nobody is happy, but Americans are feeling more optimistic.

Last week, headlines blasted the new inflation numbers. Prices were up more than 9% year-over-year in June, according to the Bureau of Labor Statistic's Consumer Price Index (CPI). When you dig into the numbers, energy prices were up 41.6 percent year-over-year and food prices were up 10.4 percent.

"Prices are rising just about everywhere in the world, in part a consequence of Russia's invasion of Ukraine, which has elevated energy and food prices, and in part because of the supply chain bottlenecks that have driven U.S. prices up," reported Paul Wiseman of *U.S. News & World Report*.

The U.S. inflation numbers caused markets to tumble early in the week as investors speculated about whether the Federal Reserve would decide to raise the federal funds rate at a faster pace at its next meeting, reported Ben Levisohn of *Barron's*.

Then the retail sales and consumer sentiment data arrived.

After adjusting for inflation, retail sales slowed in June, just as they had in May, reported Megan Cassella of *Barron's*. Retail sales data are a leading indicator, meaning they provide information about what may be ahead, while the CPI is a lagging indicator that provides information about what has already happened. Slower retail sales suggest demand is falling and lower prices may be ahead. The news cooled some investors' rate-hike concerns.

On Friday, the University of Michigan's Consumer Sentiment Survey showed a modest improvement. *Barron's* reported, "…consumer sentiment that had hit an all-time low in June improved slightly in July, likely a reflection of the recent fall in gas prices. And long-term inflation expectations dropped modestly over the month as well. Together, the latest data shows early signs that the Federal Reserve is making progress in its quest to cool the economy."

Last week, *Barron's* reported that major U.S. stock indices declined. Yields on shorter maturity Treasuries rose last week, while yields on longer maturity Treasuries fell.

Data as of 7/15/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-0.9%	-19.0%	-11.4%	8.6%	9.5%	11.1%
Dow Jones Global ex-U.S. Index	-2.6	-22.2	-23.5	-1.6	-0.8	2.5
10-year Treasury Note (yield only)	2.9	N/A	1.3	2.1	2.3	1.5
Gold (per ounce)	-1.8	-6.3	-6.5	6.5	6.7	0.7
Bloomberg Commodity Index	-2.1	14.4	20.6	12.1	6.5	-2.2

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT'S THE DIFFERENCE BETWEEN MARKET VOLATILITY AND RISK? Smooth sailing isn't a term anyone would use to describe 2022. So far, it has been a remarkably volatile year. On more than half of the days during the second quarter of 2022, the U.S. stock market moved up or down by 1 percent or more. "The quarter had 10 days where the market moved 2% or more compared to a median of two days between 2019 and 2021," reported Lauren Solberg of *Morningstar*.

While volatility is not the same as risk, the chances of incurring a loss may increase during periods of market volatility, in large part, that's because investors become anxious about falling share prices and sell when they might be better off holding. See what you know about the difference between risk and volatility by taking this brief quiz.

1. What is market volatility?
   a. Asset prices rising over a period of time.
   b. Asset prices falling over a period of time.
   c. The frequency and size of asset price swings, higher and lower.
   d. A measure of how easy it is to buy and sell stock.

2. What is risk?
   a. The chance of losing some or all of an investment.
   b. The chance that actual investment returns will be different from anticipated investment returns.
   c. A vulnerability that can be managed through asset allocation and diversification.
   d. All of the above.

3. How can the effects of stock market volatility be limited?
   a. By timing the market
   b. By avoiding bonds
   c. Through asset allocation and investment diversification
   d. By avoiding stocks

4. Which famous investor said, "When people are desperately trying to sell, I buy. When people are desperately trying to buy, I sell. It has worked out very well over the years."
   a. Warren Buffett
   b. Abby Joseph Cohen
   c. Sir John Templeton
   d. Abigail Johnson

If you're feeling overwhelmed and uncertain in this volatile market environment, give us a call. One of the most important services we offer is helping people stay calm and make sound decisions during difficult times.

Weekly Focus – Think About It
"Being aware of challenges doesn't make them sting less, but once you see them, you can assess the best way to handle them."

—Mellody Hobson, CEO and financial educator

Answers: 1) c; 2) d; 3) c; 4) c

Best regards,

Bobby

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P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
* Asset allocation does not ensure a profit or protect against a loss.
* Consult your financial professional before making any investment decision.

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