Weekly Market Commentary
May 31, 2022

The Markets

Investors reassessed and markets bounced.

Last week, major U.S. stock indices moved higher for the first time in weeks. The Dow Jones Industrial Average gained 6.2 percent, the Standard & Poor's 500 Index was up 6.6 percent, and the Nasdaq Composite rose 6.9 percent, reported Ben Levisohn of *Barron's*.

The change in investor attitude may have been influenced by a variety of factors, including:

- **Strong corporate earnings (profits)**. Not only were U.S. companies profitable during the first three months of this year, company leaders and market analysts anticipate they will remain profitable throughout 2022. Ninety-seven percent of the companies in the S&P 500 have reported earnings so far, and the blended earnings growth rate is 9.2 percent. Over the full year, analysts anticipate profits will increase by 10.1 percent, reported John Butters of FactSet.

- **More attractive share prices.** The price-to-earnings (PE) ratio is one way for investors to understand whether a company's stock is priced fairly. The PE ratio compares a company's share price to its earnings (profits). At the end of last week, the forward PE ratio for companies in the S&P 500 Index was 17.1. That's between the five-year average of 18.6 and the 10-year average of 16.9, reported FactSet.

- **Optimism about the Fed's approach to tightening**. The minutes for the Federal Reserve Open Market Committee meeting became available last week. Investors were encouraged by the Fed's policy approach.

  "The rally…extended on Wednesday when the Federal Reserve, while acknowledging that it will lift interest rates further in the next couple of meetings, implied that it may slow down the pace of rate hikes if the economy continues to slow down," reported Jack Denton and Jacob Sonenshine of *Barron's*.

- **The possibility that inflation may have peaked**. The rally continued after the Personal Consumption Expenditure Price Index, which is the Federal Reserve's favorite inflation measure, showed the pace of inflation slowed in April. Headline inflation was 6.3 percent year-over-year, down from 6.6 percent in March.

While last week's U.S. stock market rally was appreciated, markets are likely to remain volatile for some time.

Data as of 5/27/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	6.6%	-12.8%	-1.0%	14.1%	11.5%	12.1%
Dow Jones Global ex-U.S. Index	2.5	-13.4	-15.2	3.5	1.9	3.9
10-year Treasury Note (yield only)	2.7	N/A	1.6	2.2	2.2	1.7
Gold (per ounce)	1.0	1.7	-2.1	13.2	8.0	1.6
Bloomberg Commodity Index	2.5	35.0	44.3	19.0	10.0	0.1

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 DID YOU SAY? Idioms are phrases that don't mean what they say. For example, imagine you hear a person say, "That's a piece of cake!" The odds are you won't look around for a slice of German Chocolate because you know they don't mean it literally. They're using an idiom to indicate that a task is easy.

There are lots of money and financial idioms. See what you know about financial phrases by taking this brief quiz.

1. When you need a rough estimate of cost, you might ask for:
    a. The bottom line
    b. Hush money
    c. A ballpark figure
    d. Two cents

2. From a financial perspective, which is better?
    a. To break the bank
    b. To take a bath
    c. To go Dutch
    d. To have a cash cow

3. This idiom originated when American Joe Gans was competing for the championship in his sport. His mom told him to "bring home the bacon." He won the 1906 event and received $6,000 in prize money. What sport was it?
    a. Golf
    b. Boxing
    c. Cycling
    d. Speed skating

4. In Italy, when someone is stingy or cheap, they say that the person:
    a. Has short arms
    b. Is sitting in salt
    c. Has holes in their hands
    d. Pares cheese

What money idioms do you use frequently?

Weekly Focus – Think About It
"It's not about what it is, it's about what it can become."

—Dr. Seuss, The Lorax

Answers:
1) C; 2) d; 3) b; 4) a

Best regards,

Bobby

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Sources:
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