

July 2022

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ending 7/31/2022

Global Overview

Markets rebounded significantly this month, with the MSCI World Index gaining 7.94%. Markets were supported as consumer sentiment improved and oil prices fell, while the Fed increased rates another 75 basis points in its attempt to curb inflation. Although GDP posted another quarter of negative growth (entering a technical recession), market activity reflects a consensus that fears of a recession should be kept at bay due to the stability of other recessionary indicators. On the other hand, the Eurozone's volatility remains high as the European Central Bank delivered their first rate hike of 50 bps. Similarly, China remains unstable as it was one of the few countries that saw a market decline.

U.S. Markets & Economy

The US equity markets rebounded in July after multiple months with negative returns as the S&P 500 gained 9.22% in the month, one of the best months since 2020. However, the S&P's year-to-date results remain in the red posting a loss of 12.58%. Energy stock growth slowed in the month due to falling oil prices, offering a glimmer of hope to the broader market if energy input costs decline in the months ahead. Manufacturing PMI fell from 53.7 to 52.2, compared to the 4.6 point drop in the previous month. The lower energy prices combined with the leveling off of manufacturing decline, boosted sentiment and drove market gains in the month. The Fed continued to battle high levels of inflation and implemented another 75 bps rate hike, raising the Fed funds rate to a range of 2.25% to 2.50%. According to the Fed's minutes, they anticipate having to raise rates another 100 bps by January 2023 in order to reduce inflation. Despite these rising prices, consumer spending remains strong and reached an all-time high in Q2 2022. In July, the consumer confidence index increased from 50 to 51.5, which had been steadily falling in the last couple months, further contributing to the S&P 500 gains. Although some areas of the economy began to rebound in the second quarter, GDP reported a contraction of 0.9%, marking the second consecutive quarter of negative growth in 2022. Nevertheless, the unemployment rate remains level at 3.6%, representing no change from the previous month. Initial jobless claims declined by 5,000 in the month, further supporting the historically low level of unemployment.

The fixed income markets recovered slightly in the month as well, with the Bloomberg US Aggregate Index gaining 2.44% in July. In tandem with the equity gains in July, high yield credit spreads fell dramatically, tightening 109 bps. This fall in spreads is reflected in the Credit Suisse High Yield Index's 5.94% gain this month. Investment grade spreads remained relatively stable, tightening 12 bps in July, pushing the Bloomberg US Gov/Credit Index to gain 2.16%. Although the fixed income market experienced gains in July, bonds may remain volatile as shown by a recently inverted yield curve, compounded by the Fed's expected rate increases in efforts to reduce inflation.

International Markets & Economy

In addition to continuing tensions on the Ukraine border, uncertainty in the Eurozone grew as a result of political turmoil in the UK and Italy, as the British Prime Minister stepped down and the Italian President resigned after the collapse of his National Unity government. Although the Eurozone's second quarter GDP grew by 0.7%, signs of declining growth include an 11% year-to-date decline in the Euro/USD exchange rate. As promised, the European Central Bank delivered their first round of rate hikes with an increase of 50 bps, 25 bps more than expected. The ECB suggested future hikes may be in order to meet their 2% inflation target. Despite China's previous rebounds,

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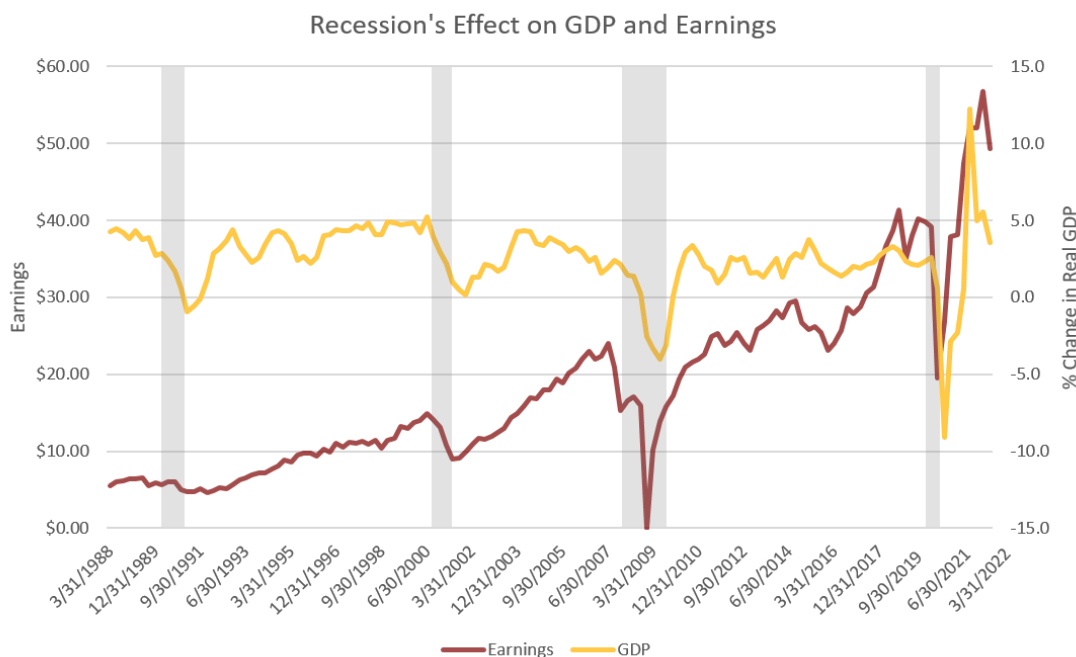
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the MSCI China Index declined 9.50% in July due to anti-technology regulations and COVID-19 cases inching up again, creating fears of another lockdown. Renewed lockdowns in the Wuhan district initiated these fears. Previous lockdowns combined with supply chain disruptions contributed to China's Q2 GDP contracting 2.6%. Similarly, EM countries continue to struggle with high levels of inflation as countries like Hungary, Brazil, and Greece report inflation rates of over 10%, contributing to the MSCI EM Index's decline of 0.25% in spite of the MSCI World gaining 7.94%.

In the News

As reflected in the first two quarters of real GDP (rGDP) growth, the US has experienced two consecutive quarters of negative rGDP growth (Q1: -1.6%, and Q2: -0.9). The National Bureau of Economic Research (NBER), the organization responsible for determining recessions, labels a recession as a "significant decline in economic activity, spread across the economy, lasting more than a few months." Although the US has experienced this, there are other measures which constitute a recession. These conditions not only include the decline in rGDP, but decline in real income, employment, production, and retail sales. Unemployment remains low alongside changes to real income that has remained strong due to wage gains, despite the real disposable income decreasing because of high levels of inflation. Industrial production index growth has remained positive throughout the year with an average monthly gain of 0.4%, despite slight declines in growth in the second quarter. Finally, retail sales have been surpassing expectations, showing a 1% increase in July. Companies' earnings, despite dropping in recent quarters, have remained stronger and more resilient than in previous recessionary periods compared to their relative rGDP decline. According to the Chart of the Month, rGDP growth has decreased the past few quarters by a substantial percent while earnings have only showed a slight slump thus far. This contrasts previous periods, post 2000s, when earnings and GDP dipped in relation to one another. Despite the declining GDP, other measures suggest a potentially resilient economy.

Chart of the Month



Sources: S&P Global, St. Louis FRED

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Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	7.94	(1.34)	(14.19)	(9.16)	9.58	8.81	10.21
	BBgBarc US Agg Bond TR USD	2.44	1.49	(8.16)	(9.12)	(0.21)	1.28	1.65
	Russell 3000 TR USD	9.38	0.10	(13.70)	(7.35)	12.55	12.18	13.48
	DJ Industrial Average TR USD	6.82	0.13	(8.60)	(4.14)	9.22	10.86	12.31
	NASDAQ Composite PR USD	12.35	0.45	(20.80)	(15.55)	14.87	14.31	15.47
	MSCI EAFE NR USD	4.98	(4.04)	(15.56)	(14.32)	3.16	2.61	5.79
	FTSE Treasury Bill 3 Mon USD	0.10	0.22	0.28	0.29	0.58	1.09	0.63
	Bloomberg Commodity TR USD	4.26	(5.55)	23.49	27.23	16.21	8.82	(1.03)
Domestic Equities	S&P 500 TR USD	9.22	0.39	(12.58)	(4.64)	13.36	12.83	13.80
	S&P MidCap 400 TR	10.85	0.94	(10.81)	(5.70)	10.16	9.06	12.05
	S&P SmallCap 600 TR USD	10.01	2.49	(10.83)	(6.24)	10.35	9.06	12.42
	Russell 1000 TR USD	9.31	0.01	(13.58)	(6.87)	12.91	12.55	13.69
	Russell 1000 Growth TR USD	12.00	0.73	(19.44)	(11.93)	16.05	16.30	15.95
	Russell 1000 Value TR USD	6.63	(0.79)	(7.08)	(1.43)	8.88	8.26	11.10
	Russell Mid Cap TR USD	9.87	(1.02)	(13.83)	(9.83)	9.47	9.69	12.32
	Russell Mid Cap Growth TR USD	12.24	(0.17)	(22.56)	(21.76)	7.51	11.06	12.81
	Russell Mid Cap Value TR USD	8.61	(1.48)	(9.02)	(2.85)	9.38	7.75	11.47
	Russell 2000 TR USD	10.44	1.51	(15.43)	(14.29)	7.51	7.12	10.60
	Russell 2000 Growth TR USD	11.20	2.34	(21.55)	(23.18)	4.71	6.87	10.66
	Russell 2000 Value TR USD	9.68	0.74	(9.30)	(4.77)	9.44	6.71	10.18
International Equities	MSCI ACWI Ex USA NR USD	3.42	(4.80)	(15.63)	(15.27)	2.91	2.45	5.04
	MSCI EAFE NR USD	4.98	(4.04)	(15.56)	(14.32)	3.16	2.61	5.79
	MSCI EAFE Growth NR USD	7.92	(2.49)	(21.01)	(19.11)	4.05	4.56	6.92
	MSCI EAFE Value NR USD	2.08	(5.82)	(10.29)	(9.89)	1.64	0.27	4.40
	MSCI Japan NR USD	5.70	(1.05)	(15.72)	(14.28)	2.85	2.49	6.43
	MSCI AC Asia Ex Japan NR USD	(1.21)	(5.21)	(17.29)	(19.93)	2.30	1.78	5.10
	MSCI Europe NR USD	4.95	(4.78)	(16.87)	(15.10)	3.55	2.55	5.83
	MSCI United Kingdom NR USD	3.73	(3.57)	(5.43)	(1.31)	3.08	2.47	4.01
	MSCI EAFE Small Cap NR USD	6.61	(5.78)	(19.73)	(20.31)	3.55	2.30	7.83
	MSCI EM NR USD	(0.25)	(6.46)	(17.83)	(20.09)	0.90	0.95	2.84
Fixed Income	BBgBarc US Govt/Credit TR USD	2.16	1.02	(9.12)	(10.11)	(0.11)	1.40	1.72
	BBgBarc US Govt/Credit Interm TR USD	1.63	1.25	(5.25)	(6.48)	0.39	1.37	1.52
	BBgBarc US Govt/Credit Long TR USD	3.76	0.35	(18.95)	(19.38)	(1.35)	1.72	2.56
	ICE BofA US High Yield TR USD	6.02	(0.95)	(8.86)	(7.73)	1.75	2.92	4.82
	Credit Suisse HY USD	5.94	(0.79)	(8.28)	(7.06)	1.76	2.87	4.70
	S&P/LSTA Leveraged Loan TR	2.14	(2.62)	(2.51)	(0.68)	2.54	3.21	3.84
	FTSE WGBI NonUS USD	1.74	(4.16)	(15.68)	(16.75)	2.67	2.36	5.55
	BBgBarc Gbl Agg Ex USD TR	1.74	(4.16)	(15.68)	(16.75)	2.67	2.36	5.55
REITs	FTSE Nareit All REITs TR	8.74	(3.52)	(12.26)	(2.63)	7.04	7.76	8.75
	Wilshire US REIT TR USD	8.73	(7.14)	(14.79)	(3.48)	6.40	6.80	7.98

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

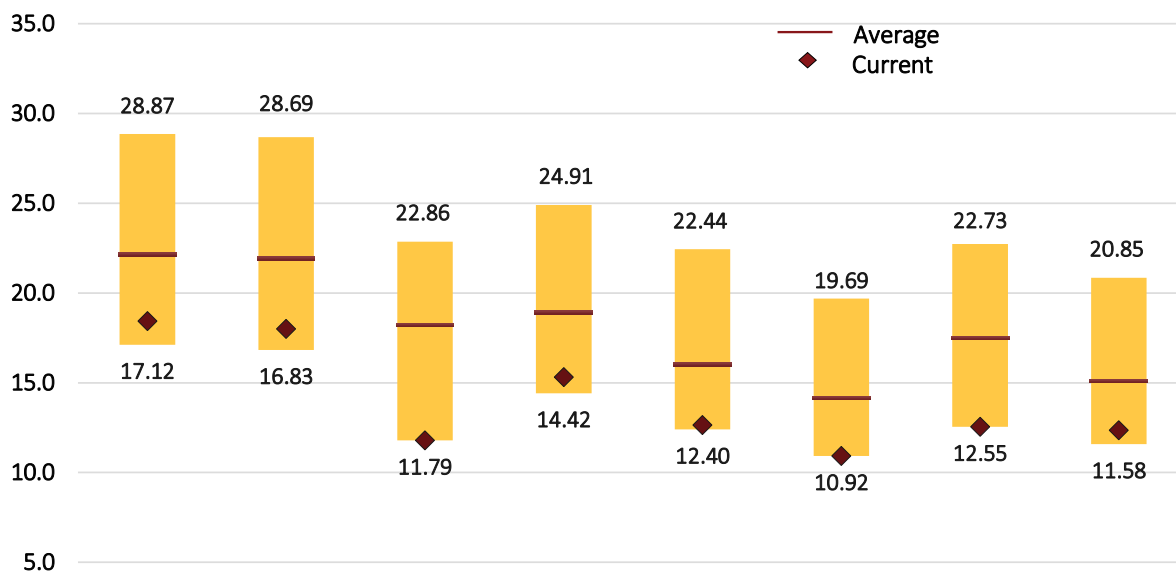
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Current Trailing P/E vs. Trailing 5-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Mar-21	Mar-21	Nov-17	Mar-21	Mar-21	Jan-21	Mar-21	Jan-21
Low Month	Dec-18	Dec-18	Jun-22	Dec-18	Dec-18	Jun-22	Jun-22	Dec-18

Source: Morningstar

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2022 ¹	2023 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	-0.90	3.73	2.44	3.60	2.60	-	-	5.90
China	-2.60	5.06	5.14	5.50	2.74	6.75	6.47	1.00
Japan	-0.10	3.41	1.09	2.60	0.18	136.12	110.10	2.20
United Kingdom	0.80	4.74	2.07	3.80	1.81	1.20	1.38	5.80
Euro Area	0.70	4.32	2.50	6.60	2.44	1.02	1.18	4.00
Germany	0.00	4.10	2.40	5.40	0.78	1.02	1.18	3.21
France	0.50	4.20	2.10	7.30	1.39	1.02	1.18	3.70
Italy	1.00	4.60	2.60	8.10	3.15	1.02	1.18	3.80
Canada	0.80	3.88	2.76	2.61	2.98	1.29	1.24	6.20
India	0.80	8.10	5.50	7.80	7.32	78.09	73.58	7.01
Mexico	1.00	3.30	2.50	3.30	8.55	20.12	19.91	7.49
Brazil	1.00	1.40	2.10	9.30	13.04	5.22	5.01	9.70

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2022 & 2023 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

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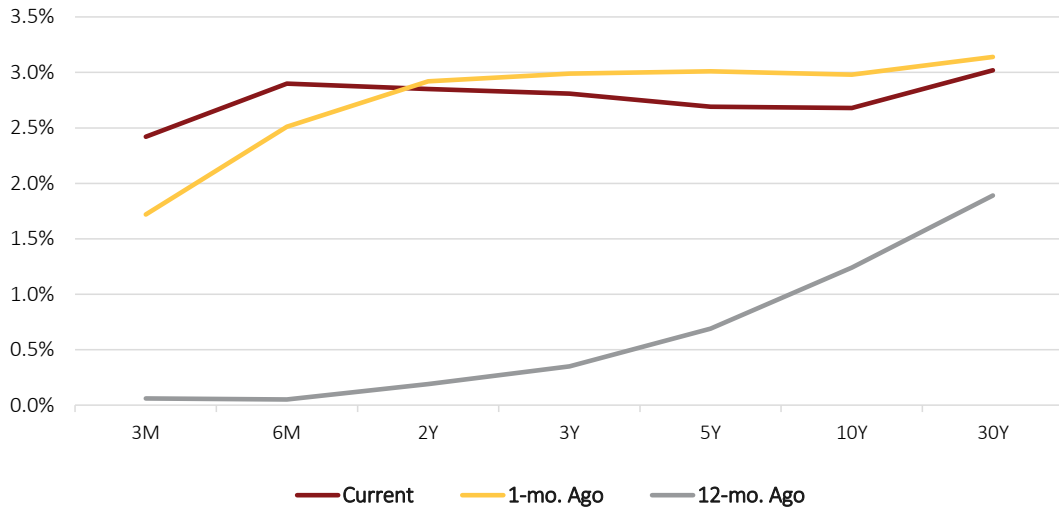
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U.S. Treasury Yield Curves

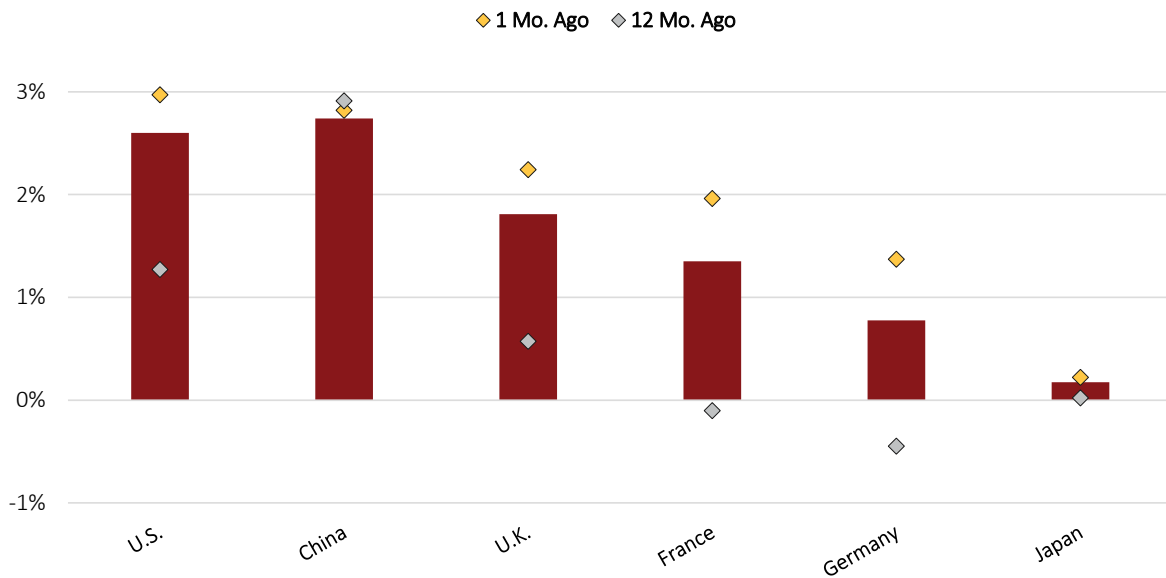
as of 7/31/2022



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 7/31/2022 (most recently available)



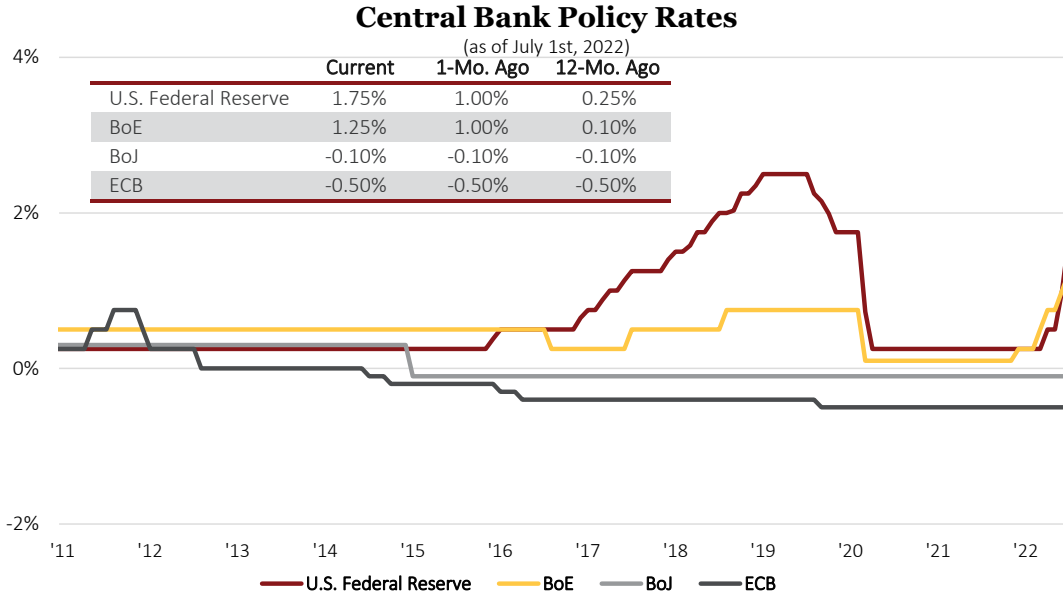
Source: Trading Economics

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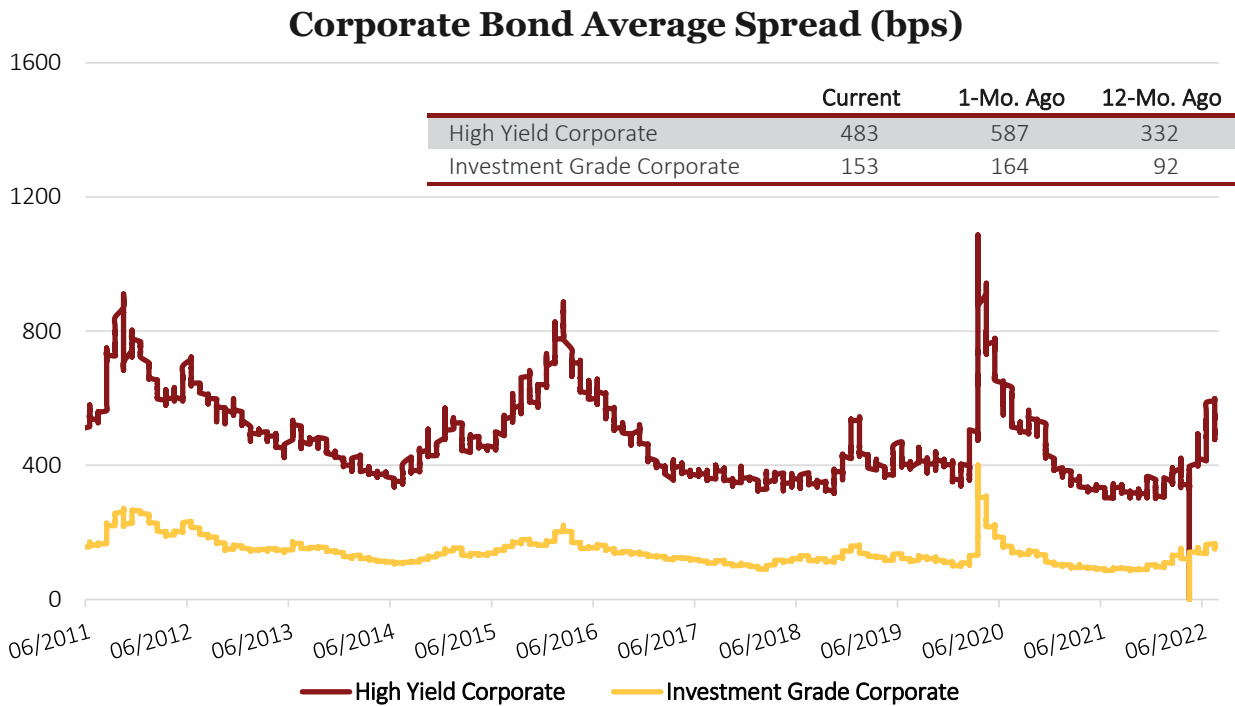
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics



Source: Federal Reserve Bank