

June 2022

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 6/30/2022

Global Overview

Despite the rebound in May, markets resumed their slump once again in June. The Federal Reserve implemented another increase to the federal funds rate of 75 basis points (bps), setting the current fed funds rate between 1.50 and 1.75 bps. Similarly, the European Central Bank announced plans for a series of rate hikes, starting with a likely increase of 25 bps in July. Despite fears of slowing global growth and potential for an impending recession, unemployment rates in the U.S and in Europe remain low and stable. Although global markets took a hit with the MSCI World Index declining 8.66%, China began to show signs of recovery as parts of the country came out of recent lockdowns, with the MSCI China index gaining 6.56% for the month.

U.S. Markets & Economy

In June the U.S equity markets hit another round of 52-week lows, and the S&P 500 officially entered into bear market territory. The S&P 500 declined 8.25% in the month, adding to the total year-to-date loss of 19.96%. High levels of inflation persisted and the Fed hiked rates another 75 bps, 25 more than previously expected. Fed Chair Jerome Powell indicated the Fed will raise rates as high as needed in order to bring down inflation to the long-term goal of 2%. Consumer sentiment continued its decline, falling from 58.4 to 50.0. Weakening consumer sentiment combined with the Fed's aggressive interest rate policy reflects concerns that aggregate demand may slow too quickly, pushing the U.S into a recession. Adding to the weakness in the economy, the manufacturing industry has experienced an abrupt decline this month with the Manufacturing PMI decreasing from 57.0 in May to 52.4 in June, hitting a 2-year low. Although the PMI service sector also fell, the drop was not as drastic as the manufacturing sector, with the Service PMI falling from 53.4 to 51.6 in the month. In spite of recession fears, unemployment levels remained at an encouragingly low and stable rate of 3.6% in June. There were 11.4 million job openings reported but only 6 million unemployed workers. Despite the growing macroeconomic uncertainty, consensus expectations for corporate earnings growth remain positive for 2022, although at a lower rate than recent years. Some analysts point to the ability of corporations to cut costs and increase profit margins leading up to the slowdown of economic growth and consumption. Though a recession is possible, bottomed-out markets coupled with strong corporate earnings potential and low unemployment could indicate a milder impact on investment portfolios in the quarters ahead.

The United States fixed income markets have continued to experience turmoil as rates have increased and credit spreads have widened. The Bloomberg U.S Aggregate Index, which began to recover last month, dropped another 1.57% bringing the index down 10.35% YTD. High yield spreads widened by another 143 bps in June, and investment grade spreads increased by 55 bps. Because of this, high yield credit indexes continued to decline as the Credit Suisse High Yield Index lost 6.60%. As the bond market digests conflicting concerns of the Fed rate policy, inflation and the risk of recession, volatility in the bond market will likely remain elevated.

International Markets & Economy

Russia continued its invasion of Ukraine, recently taking over one of the last major cities in the Luhansk region, Lysychansk. Giving no indication of slowing, the Russian military press forward to Donetsk, which only adds to ongoing energy and supply chain issues in the region. These added inflationary pressures brought on by the conflict spurred the European Central Bank to begin a series of rate hikes. The ECB is expected to begin the hikes at a

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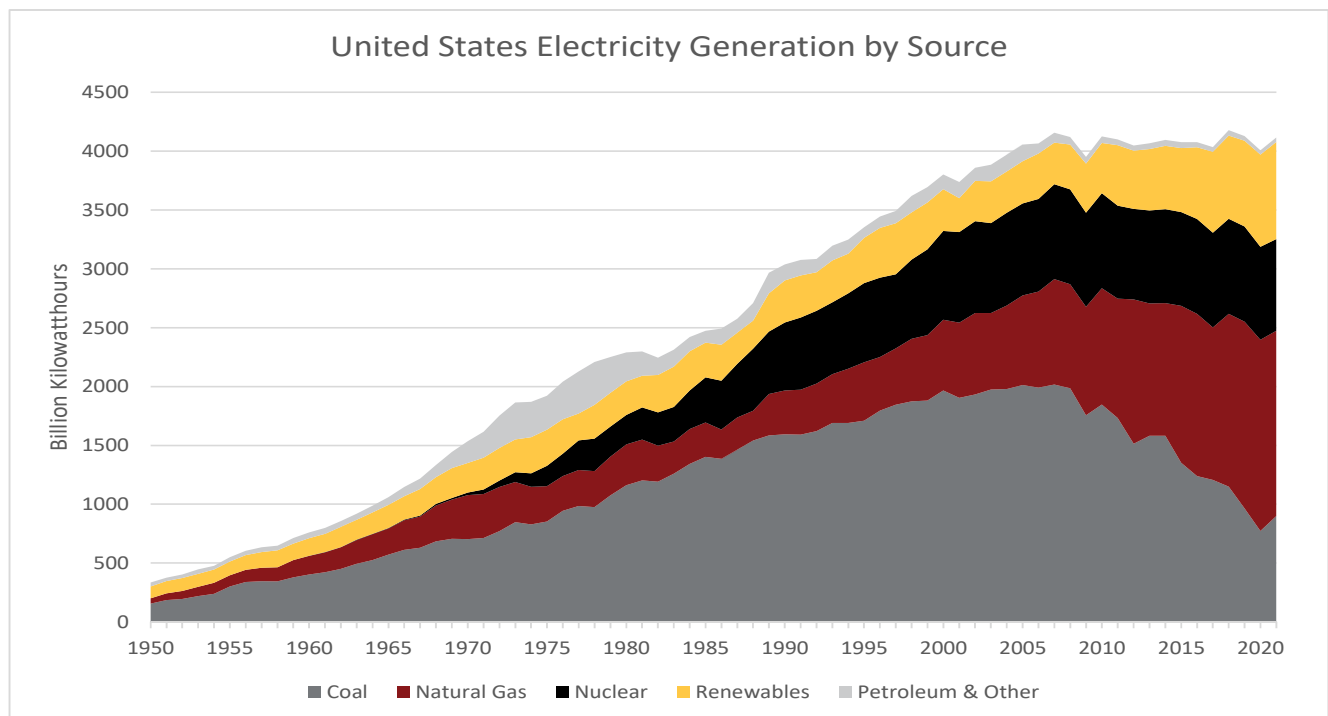
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conservative 25 bps rate hike in July and is expected to provide 150 bps in hikes by the end of the year. These increases will attempt to control inflation as the Eurozone struggles with trade deficits and surging energy costs. Similar hikes have been noted in Brazil, Hungary, and Mexico, which have contributed to the MSCI EM Index being down 6.65% in the month. While the Eurozone is fighting to stay out of a recession, Shanghai's post-lockdown recovery began, as represented with the MSCI China Index returning a positive 6.56% this month. Additionally, China's exports have rebounded in the industrials, mining, and construction industries. Although the economy has not fully recovered, China is beginning to narrow its trade deficit and hopes to lessen supply-chain disruptions going forward.

In the News

Geopolitical tensions, sanctions on Russia, and production challenges have driven up energy prices causing countries, like the U.S, and other developed markets, to further explore alternative sources of energy. In the near-term, the U.S pledged to provide a third of the 45% of natural gas that Europe traditionally imports from Russia. Over the longer-term, today's surging energy prices could help accelerate a shift towards net-zero carbon emissions in the long run by reducing demand for global fossil fuel consumption. As seen in the Chart of the Month, the U.S. was previously reducing its reliance on coal, and increasing the usage of lower-carbon "transition fuel" natural gas while building more capacity in renewables. Higher prices on oil and natural gas in today's environment make the implementation of renewables more cost-effective in today's markets than in past years. Consistent with the trend in the chart, OPEC expects oil output to decrease from 1.7 million barrels a day in 2023 to 400K barrels a day in 2024. The energy shortage could act as a catalyst for the push towards renewable energy and to meet the United Nations net-zero goal by 2050.

Chart of the Month



Source: U.S. Energy Information Administration

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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	(8.66)	(16.19)	(20.51)	(14.34)	7.00	7.67	9.51
	BBgBarc US Agg Bond TR USD	(1.57)	(4.69)	(10.35)	(10.29)	(0.93)	0.88	1.54
	Russell 3000 TR USD	(8.37)	(16.70)	(21.10)	(13.87)	9.77	10.60	12.57
	DJ Industrial Average TR USD	(6.56)	(10.78)	(14.44)	(9.05)	7.24	9.98	11.70
	NASDAQ Composite PR USD	(8.71)	(22.44)	(29.51)	(23.96)	11.27	12.43	14.15
	MSCI EAFE NR USD	(9.28)	(14.51)	(19.57)	(17.77)	1.07	2.20	5.40
	FTSE Treasury Bill 3 Mon USD	0.07	0.14	0.17	0.19	0.61	1.09	0.62
	Bloomberg Commodity TR USD	(10.77)	(5.66)	18.44	24.27	14.34	8.39	(0.82)
Domestic Equities	S&P 500 TR USD	(8.25)	(16.10)	(19.96)	(10.62)	10.60	11.31	12.96
	S&P MidCap 400 TR	(9.62)	(15.42)	(19.54)	(14.64)	6.87	7.02	10.90
	S&P SmallCap 600 TR USD	(8.55)	(14.11)	(18.94)	(16.81)	7.30	7.20	11.26
	Russell 1000 TR USD	(8.38)	(16.67)	(20.94)	(13.04)	10.17	11.00	12.82
	Russell 1000 Growth TR USD	(7.92)	(20.92)	(28.07)	(18.77)	12.58	14.29	14.80
	Russell 1000 Value TR USD	(8.74)	(12.21)	(12.86)	(6.82)	6.87	7.17	10.50
	Russell Mid Cap TR USD	(9.98)	(16.85)	(21.57)	(17.30)	6.59	7.96	11.29
	Russell Mid Cap Growth TR USD	(7.48)	(21.07)	(31.00)	(29.57)	4.25	8.88	11.50
	Russell Mid Cap Value TR USD	(10.99)	(14.68)	(16.23)	(10.00)	6.70	6.27	10.62
	Russell 2000 TR USD	(8.22)	(17.20)	(23.43)	(25.20)	4.21	5.17	9.35
	Russell 2000 Growth TR USD	(6.19)	(19.25)	(29.45)	(33.43)	1.40	4.80	9.30
	Russell 2000 Value TR USD	(9.88)	(15.28)	(17.31)	(16.28)	6.18	4.89	9.05
International Equities	MSCI ACWI Ex USA NR USD	(8.60)	(13.73)	(18.42)	(19.42)	1.35	2.50	4.83
	MSCI EAFE NR USD	(9.28)	(14.51)	(19.57)	(17.77)	1.07	2.20	5.40
	MSCI EAFE Growth NR USD	(8.58)	(16.88)	(26.81)	(23.76)	1.32	3.47	6.29
	MSCI EAFE Value NR USD	(9.96)	(12.41)	(12.12)	(11.95)	0.18	0.52	4.25
	MSCI Japan NR USD	(7.89)	(14.63)	(20.27)	(19.93)	1.01	1.76	5.59
	MSCI AC Asia Ex Japan NR USD	(4.49)	(9.00)	(16.28)	(25.03)	2.11	3.09	5.50
	MSCI Europe NR USD	(9.95)	(14.49)	(20.79)	(17.61)	1.24	2.16	5.44
	MSCI United Kingdom NR USD	(8.62)	(10.48)	(8.84)	(4.00)	1.21	2.24	3.75
	MSCI EAFE Small Cap NR USD	(10.98)	(17.69)	(24.71)	(23.98)	1.12	1.72	7.18
	MSCI EM NR USD	(6.65)	(11.45)	(17.63)	(25.28)	0.57	2.18	3.06
Fixed Income	BBgBarc US Govt/Credit TR USD	(1.58)	(5.03)	(11.05)	(10.85)	(0.77)	1.05	1.67
	BBgBarc US Govt/Credit Interm TR USD	(1.11)	(2.37)	(6.77)	(7.28)	(0.16)	1.13	1.45
	BBgBarc US Govt/Credit Long TR USD	(2.98)	(12.27)	(21.88)	(20.14)	(2.32)	1.03	2.63
	ICE BofA US High Yield TR USD	(6.81)	(9.97)	(14.04)	(12.66)	(0.04)	1.95	4.41
	Credit Suisse HY USD	(6.60)	(9.66)	(13.42)	(12.09)	(0.04)	1.92	4.28
	S&P/LSTA Leveraged Loan TR	(2.16)	(4.45)	(4.55)	(2.78)	2.09	2.91	3.74
	FTSE WGBI NonUS USD	(6.40)	(11.85)	(17.12)	(22.24)	1.82	2.79	5.51
	BBgBarc Gbl Agg Ex USD TR	(6.40)	(11.85)	(17.12)	(22.24)	1.82	2.79	5.51
REITs	FTSE Nareit All REITs TR	(7.27)	(14.85)	(19.31)	(6.87)	4.64	6.22	8.09
	Wilshire US REIT TR USD	(7.90)	(18.48)	(21.64)	(6.70)	4.01	5.26	7.28

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

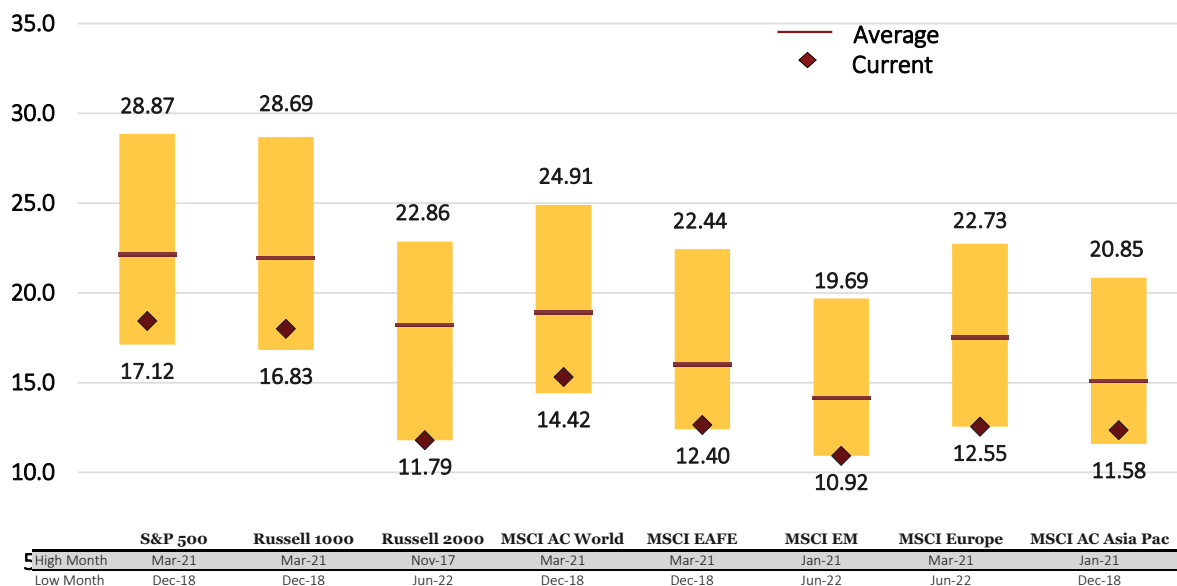
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Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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	-1.60	3.73	2.44	3.60	2.92	-	-	6.00
China	1.30	5.06	5.14	5.90	2.82	6.70	6.46	0.90
Japan	-0.10	3.41	1.09	2.60	0.24	135.69	111.05	2.10
United Kingdom	0.80	4.74	2.07	3.80	2.15	1.22	1.38	5.90
Euro Area	0.60	4.32	2.50	6.60	1.87	1.05	1.18	3.70
Germany	0.20	4.10	2.40	5.30	1.18	1.05	1.18	3.78
France	-0.20	4.20	2.10	7.30	1.70	1.05	1.18	3.70
Italy	0.10	4.60	2.60	8.10	3.19	1.05	1.18	3.80
Canada	0.80	3.88	2.76	5.10	2.98	1.29	1.24	6.10
India	0.80	8.10	5.50	7.80	7.41	78.09	73.58	7.04
Mexico	1.00	3.30	2.50	3.30	8.70	20.12	19.91	7.28
Brazil	1.00	1.40	2.10	9.80	12.73	5.22	5.01	9.31

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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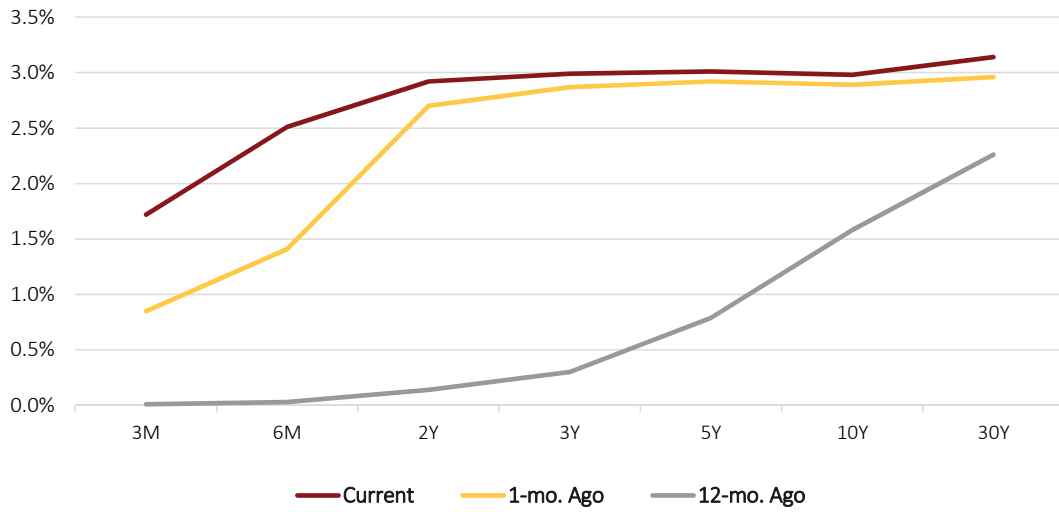
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U.S. Treasury Yield Curves

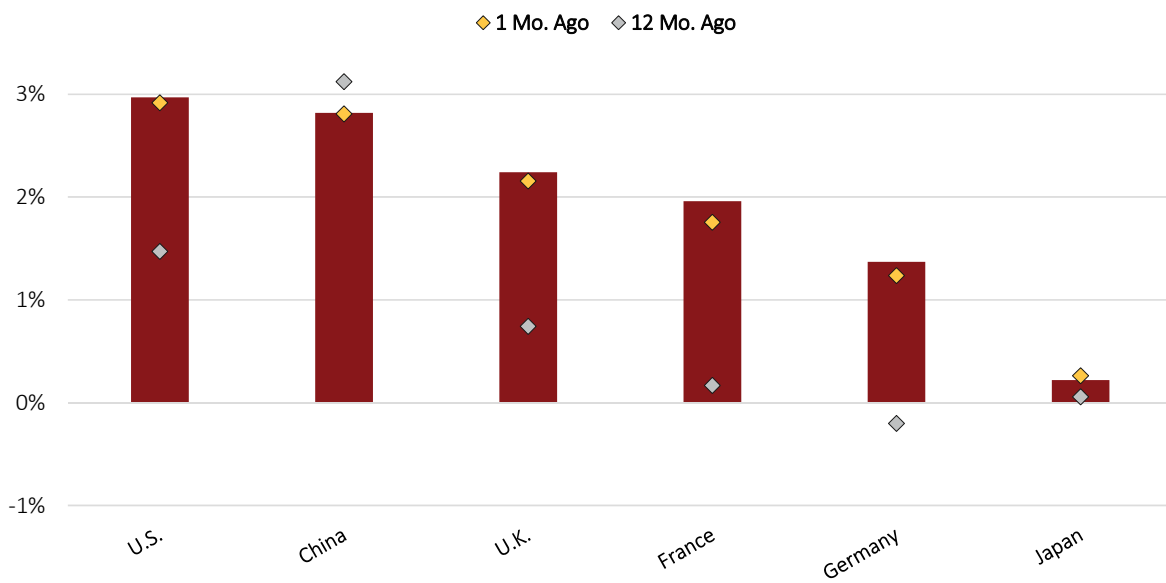
as of 6/30/2022



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 6/30/2022 (most recently available)



Source: Trading Economics

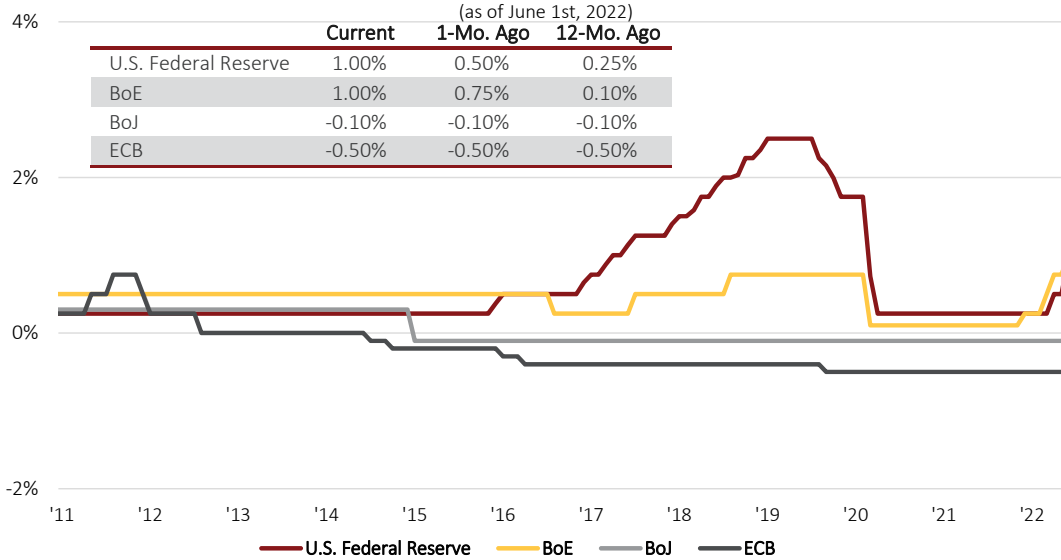
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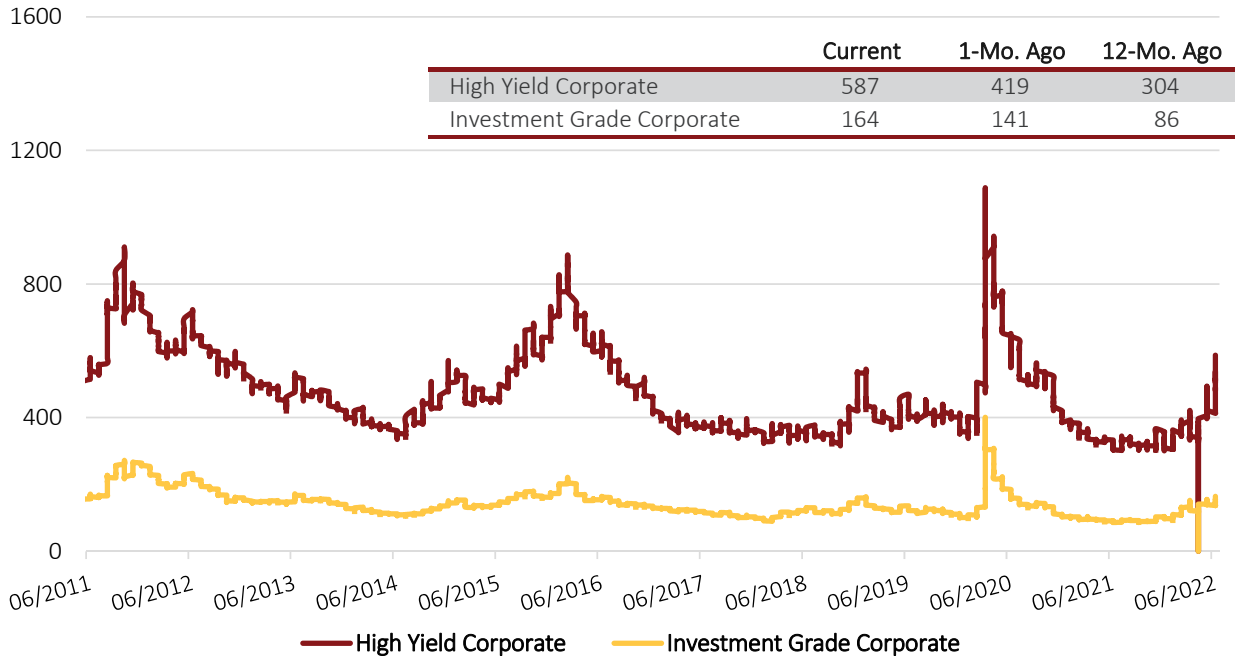
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Central Bank Policy Rates



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

Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank