THE CAPITAL MARKETS

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The Dow Jones Industrial Average (DJIA) finished June at 30,775, down -6.71%% for the month, and down -15.31% year-to-date. The S&P 500 closed June at 3,785, down -8.39% for the month, down -20.58% so far for the year. The NASDAQ Composite lost -8.71% in June, down -29.51% for the year. Small-company stocks, as measured by the Russell 2000, ended June down -8.37% for the month, down -23.93% year-to-date. Energy (+30.56%) was the best and Consumer Cyclical (-32.96%) the worst performing sectors in the first half of 2022.

> ***"The data likely won't sway policymakers from their current rate-hike trajectory, despite decelerating economic fundamentals. It's a tough combination for investors, and leaves practically nowhere to hide in markets."***
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> (Barron's, The Trader, Nicholas Jasinski, July 1, 2022)

MID-YEAR REVIEW: PAIN IN MARKETS AS INFLATION PERSISTS

The S&P 500 dropped -20.6% in the first six months of 2022, the worst first half for the index since 1970. Bonds, as measured by the Bloomberg U.S. Aggregate Bond Index, fell -10.7% in the same period, its worst first half on record going back to 1975. The market weakness in the first half of 2022 has been driven mostly by various factors, all contributing to stubbornly high and persistent inflation in the United States and around the globe. Russia's invasion of Ukraine has contributed to already elevated oil and gas prices spiking. China's rolling COVID-19 lockdowns have disrupted already precarious global supply chains, and surging demand remains out of sync with supply dynamics, the result of historic levels of savings for the U.S. consumer following over a year of pandemic-related sheltering and social distancing. Everyday reminders of the off-kilter economy have driven the University of Michigan's Consumer Sentiment Index to its lowest levels on record, below even the period following the 2008 Great Recession. With high gas prices, increasing grocery bills, a weeks' long shortage of baby formula, and now an apparent shortage of pilots in the airline industry, many Americans are dour on the economy and the outlook moving forward.

In times like these, our view is that it's more important than ever to maintain an appropriate context and zoom out to a view that reflects that of a long-term investor. For example, with stocks and bonds falling in 2022, many commentators have questioned the benefits of the traditional balanced portfolio between stocks and bonds. Looking at history, however, we can note that with long-term annual returns of around +7% for a balanced 60% stock 40% bond portfolio, from 2019 to 2021 such portfolios experienced returns of over +14%. Even returns as low as -12% for 2022 would simply bring recent return trends back in line with long-term averages.[1] Similarly, in the same way that above-average returns tend to increase the likelihood of below-average returns in the near term, experiencing such a historically below-average return period actually improves longer-term expected returns moving forward from these levels. While no one can time or predict market moves in the short term, we remain positive on the outlook for disciplined, long-term investors to be rewarded by the capital markets, through the ups and downs of business cycles, over long periods of time. If we can help evaluate your investment plan and ensure it matches your time horizon and tolerance for risk, please don't hesitate to reach out during this time, and we'd be happy to help.

1 Source: Vanguard, Like the phoenix, the 60-40 portfolio will rise again, 07-01-2022

> ***"Investors place much of the blame on inflation. Price pressures that many had assumed would be transitory turned out to be more persistent than they thought. That forced central banks, including the Federal Reserve, to pivot from holding interest rates near historic lows to raising them rapidly in an effort to cool inflation."***
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> (The Wall Street Journal, S&P 500)

MODESTLY BAD ECONOMIC NEWS MAY BE GOOD NEWS FOR MARKETS

As we enter the second half of 2022, the Federal Reserve finds itself in the difficult position of having to fight inflation with monetary tools that are likely to weaken conditions for their second mandate of maintaining full employment and supporting a healthy economy. As interest rates go up or monetary conditions tighten, economic growth is expected to cool by design, particularly in sectors such as real estate. Optimistic market participants are hoping that the Fed can tighten conditions just enough to cool overheating demand and to loosen a somewhat historically tight labor market, with two job openings for every unemployed worker. Otherwise negative developments, such as a modest weakening in real estate or slight increases in historically low claims for unemployment, may be received well by markets in the near term. Signs that conditions are more seriously weakening, portending recession, will be closely watched.

Market Metrics

INDEX OR METRIC	CLOSE AS OF 05/31/2022	CLOSE AS OF 06/30/2022	CHANGE PREVIOUS MONTH END	2022 YTD % CHANGE
Dow Jones Industrial Average	32,990.12	30,775.43	-2,214.69	-15.31%
S&P 500	4,132.15	3,785.38	-346.77	-20.58%
NASDAQ Composite	12,081.39	11,028.74	-1,052.66	-29.51%
RUSSELL 2000	1,864.04	1,707.99	-156.05	-23.93%
Fed Funds Rate	0.75%-1.00%	1.50%-1.75%	+0.75%	
2-Year Treasury	2.53%	2.92%	+0.39%	
10-Year Treasury	2.85%	2.98%	+0.13%	
Crude Oil $ per Barrel	$114.67	$105.76	-$8.91	+40.62%
Gold $ per Troy oz.	$1,842.70	$1,807.30	-$35.40	-1.16%
UK Point in U.S. $	$1.2603US=1£	$1.2145US=1£	$ SRONGER	-10.34%
Euro in U.S. $	$1.0713US=1€	$1.0455US=1€	$ STRONGER	-8.07%
Canada $ per U.S. $	$1.26485C=$1.00US	$1.28995C=$1.00US	$ STRONGER	+2.12%
Japan Yen per U.S. $	128.645¥=$1.00US	135.855¥=$1.00US	$ STRONGER	+17.98%