

Monthly Market Commentary

Bring on the warm summer weather! We are all eager to go outside for a walk and enjoy the fresh air, play some bags with family and friends, and fire-up the grill! Although we are a few weeks away, we would like to wish you all a wonderful Memorial Day weekend. This day of remembrance also marks the unofficial start to summer.

The weak start experienced in asset markets in the first quarter continued into the second quarter with most assets posting losses for the month of April. Various factors ranging from a slowdown in growth, high inflation, geopolitical tensions, and a much more hawkish policy shift from the FED are all playing a role in the re-rating of both stocks and bonds at an accelerated pace. Valuations remain elevated relative to market expectations for the economic environment and policy as we progress through the year.

On the fundamental side, first quarter GDP came in at 3.6% YoY and -1.4% on a QoQ annualized rate. This shows the underlying trend in growth is slowing and is expected to slow further as policy support is diminished. ISM Manufacturing Index for the month of May slowed to 55.4 vs 57.1 in the prior month and is trending lower. Inflation, which remains the number one concern for policy makers and consumers, increased to 8.5% in March from 7.9% in February. We are midway through earnings season for the first quarter of 2022 with 55% of S&P 500 companies reporting aggregate revenue growth of 13.3% and earnings growth of 4.5%, which continue to decelerate from peak revenue growth of 25.2% and earnings growth of 96.3% seen in the second quarter of 2021.

With a slowing economic backdrop and still somewhat elevated valuations, we remain comfortable to maintain higher cash levels and slightly defensive allocations for the near term. However, the pace of re-rating may present attractive opportunities to capitalize on specific sectors and style factors.

We would like to take the time to inform you about the ability to direct purchase Series I Savings Bonds direct from the government. You can buy up to \$10,000 in electronically registered bonds and \$5,000 in physical paper certificates each calendar year. Here are the 3 ways you can buy these bonds:

1. Buy electronic Series I Savings Bonds through TreasuryDirect.
2. Buy Paper Bonds when you file your income tax refund using IRS Form 8888.
3. Invest in Series I Savings Bonds through Employer Payroll Savings Plans.

This is for informational purposes only. To learn more about Series I Savings Bonds, please follow this link.

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