# Weekly Update

## 6/13/22

| | | Last Week | YTD Returns |
|---|---|---|---|
| Domestic Equities | S&P 500 | -5.04% | -17.60% |
| International Developed | MSCI EAFE | -4.65% | -15.80% |
| Emerging Market | MSCI EM | -0.53% | -13.58% |
| Fixed Income | Bloomberg US Agg Bond | -1.52% | -10.65% |

Index returns are from YCharts and are calculated on a total return basis, with dividends reinvested.

There was hope that the S&P 500 would avoid a bear market and rally from the recent lows. However, as of this writing, the S&P has sunk below the 20% decline level. A close below would mark an official bear market. All hope is not lost though. Stocks have already felt the pain (many stocks across markets are down over 40%) and this may very well prove to be the final leg lower for markets.

It has been a drawn-out process as investors have grappled with varying macroeconomic factors and extraordinary levels of uncertainty. Inflation has been the key driver of markets and last Friday's higher-than-expected Consumer Price Index (CPI) reading was unwelcome. Headline year-over-year CPI rose to a new high of 8.6% in May, while core CPI (minus food & energy) rose 6.0%. Both were expected to decline in May.

While signs of an economic slowdown continue to permeate and questions of recession linger, we do not see the conditions that would have us overly concerned about the economy. Yes, a recession is possible, but in our view, it would be shallow and likely short-lived. Underlying economic demand is still strong, and rapid innovation continues to take place across industries. We remain very much bullish on the outlook for the US economy over the next 5-10 years.

Ultimately, markets seem to be pricing in a recession, but it is important to remember that markets usually bottom well before the economy does. Even if economic data continues to deteriorate, stocks will move faster and eventually move higher before signs of improvement appear. It has been a tough year for investors, with stocks down big and bonds only adding to the pain. We will remain diligent in monitoring markets and will look to take advantage of opportunities as they present themselves.