Market Commentary

For the week of June 6th, 2022

The Markets

Returns Through 6/03/22	WTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-0.83	-8.62	-3.01	12.22	11.61
NASDAQ Composite (PR)	-0.96	-22.96	-11.16	18.86	14.82
S&P 500 (TR)	-1.15	-13.23	-0.60	16.33	13.01
Barclays US Agg Bond (TR)	-0.88	-9.28	-8.35	-0.23	1.06
MSCI EAFE (TR)	-0.28	-11.70	-11.13	6.15	3.80

Observations

• U.S. equities retreated for the week S&P down -1.15% • Small caps also gave up some ground but underperformed their large cap counterparts with the Russell 2000 down -0.22%.
• International stocks outperformed domestic equities, but still in the red down -0.28%.
• Emerging market were positive returning 1.77%.
• U.S. investment grade bonds were negative with the Bloomberg Barclays U.S. Aggregate Bond index down -0.88%

Data Obtained from Bloomberg as of 5/03/2022

Economic Review

• The labor market had another strong month of hiring as non-farm payrolls increased above economists' expectations.
    - Actual payrolls increased by 390,000 compared to the estimate of 318,000.

• Wages rose, though slightly below expectations for the month of May. Wages increased by 0.3% compared to the 0.4% expectation.
    - Wages are up 5.2% since this time last year.

How does this impact you?

• Impact of Non-Farm Payrolls
    - The U.S labor market has now regained over 95% of the 22 million jobs lost since the COVID related lockdowns began back in March of 2020. As such, the labor market is less than 1 million jobs short of the February 2020 mark.
    - The unemployment rate remained at 3.6% (despite the substantial increase in payrolls) because labor force itself also grew – a good sign for labor market normalization.
        - The labor force participation ratio increased slightly to 62.3%. More importantly, the participation rate for critical demographic of 24-54-year-olds increased to 82.6% from 82.4%.
    - While we are still short of the pre-pandemic levels (63.4%) these are certainly welcome signs.
    - With yet another strong labor market data point, the Fed should remain steadfast in hiking interest rates to combat inflation.

A Look Forward

• Inflation as measured by the consumer price index (CPI) for the month of May will be released on Friday; economists expect headline prices to increase by 0.7% on a month-over-month basis and 8.2% on a year over-year basis

How does this impact you?

• Impact of the Consumer Price Index

- Last month, inflationary numbers were actually quite promising as some inflationary pressure began to abate, especially in the energy market. However, this month looks to be a different story
- The core number expected doesn't appear terrible (+0.5% month-over-month), but gas prices have reached record levels yet again, and with peak summer driving months now upon us, consumers will continue to feel the effects of inflation this season.
- With two 50 basis point hikes all but guaranteed in June and July, Fed officials and market participants alike will watch for how effective monetary tightening will be in combatting inflation.

BY THE NUMBERS

NOT AS BIG – The companies in the S&P 500 had an average market capitalization of $72.8 billion as of 5/31/2022, down from an average market capitalization of $83.9 billion as of 12/31/2021. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value (source: source: BTN Research).

IN THE YEAR 2034 – Social Security trustees announced on 6/02/2022 that the trust fund backing the payment of Social Security benefits (OASI retirement benefits) would be zero in 2034. A zero "trust fund" does not mean the payment of Social Security benefits would also go to zero, but rather would drop to 77% of their originally promised levels through the year 2096. When the trustees released their report in 2007 (i.e., 15 years ago), the Social Security Trust Fund was projected to be depleted in 2042 (source: Social Security Trustees 2022 Report).

LONG-TERM ISSUE – The estimated Social Security shortfall today (i.e., a present value number) between the future taxes anticipated being collected and the future benefits expected to be paid out over the next 75 years is $20.4 trillion. The entire $20.4 trillion deficit could be eliminated by an immediate 3.24 percentage point increase in the combined Social Security payroll tax rate (from 12.40% to 15.64%) or an immediate 20.3% reduction in benefits that are paid out to current and future beneficiaries (source: Social Security Trustees 2022 Report).

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