Investment Advisors, Inc.
Integrity • Independence • Insight

2nd Quarter, 2022

Markets At A Glance

Period	S&P 500	DJIA	INT'L (EAFE)	Emerging Markets	Barclays Intermediate Govt/Credit	Barclays 1-15 Yr Muni	INFLATION (CPI)
2nd Quarter	-16.1%	-10.8%	-14.3%	-11.5%	-2.4%	-1.6%	1.7%
12 Months	-10.6%	-9.1%	-17.3%	-25.3%	-7.3%	-6.5%	7.6%

A brutal first half of 2022 ended with losses in almost all asset classes and sectors. It was the worst first six months of the year for the S&P 500 since 1970. Growth stocks whose valuations were most dependent on higher future earnings were hit the hardest. Bond markets were also unusually volatile. The yield on the 10-Year U.S. Treasury, which started the year at 1.5%, increased to almost 3.5% before pulling back to 3.0% at the end of June.

Inflation has remained higher and more persistent than expected. As a result, the U.S. Federal Reserve and other central banks have become more aggressive in tightening monetary policy. The Fed has committed to raising interest rates and reducing its bond holdings until inflation recedes. Investors will be closely watching Fed moves at their upcoming meetings in July and September along with communications regarding their outlook.

Economic growth is decelerating and there is increased concern that the U.S and global economies may be headed for recession. In the U.S., the labor market remains strong as measured by unemployment data, but a shortage of workers persists. Consumer spending has held up so far. However, consumer confidence has fallen dramatically and there is concern over how future consumer spending will be impacted by higher prices. Corporate earnings projections for the next several quarters are likely still too high and will need to be revised downward.

Investor concerns that drove the market decline are still in place. Unusually high levels of inflation, slowing economic growth, rising interest rates, and global supply chain disruptions have all contributed. We expect markets to remain unsettled through the summer. Second quarter earnings releases as well as the outlook for earnings going forward will be important for determining market direction over the next several months. Later in the year markets may begin a more sustained recovery as there should be more clarity around Fed policy, inflation, the outlook for corporate earnings and mid-term election results.