

Market Flash Report

May 2022

Key Takeaways

- The Federal Reserve raised the Fed Funds rate by 50 basis points in May. This rate hike was mostly priced into the market and did not have a major impact on equity and bond returns for the month.
- The US Economy added 390,000 jobs in May. While lower than the 436,000 added in April, this surpassed estimates of 318,000. In the last week of the month, initial unemployment claims decreased to 200,000 from 211,000 the week prior, while continuing claims fell to 1.31 million, the lowest since 1969.
- The S&P 500 started May with a sell-off but in the last week of the month rallied 6% to finish up 0.18%. The Nasdaq had a similar late month rally, but ended the month in negative territory, down almost 3%.
- Volatility is lower than it was last month but remains higher than it was at the start of the year. So far in 2022, about 1 in 6 trading days have closed with a gain or loss of 2% or more for the S&P 500.
- Excluding food and energy, Core Personal Consumption Expenditures increased by 0.3%, rising by about the same rate for three consecutive months. Core PCE increased 4.9% (YoY) in April, which is the lowest level since December 2021.
- Value equities continue to outperform Growth equities this year. The Russell 1000 Growth Index is down 24.8% YTD whereas the Russell 1000 Value Index is down only 4.5% over the same period.
- US Large Cap continues to hold up better than US Small Cap through the past month and year. Along with value, quality of earnings has been an important factor for returns in 2022. Quality balance sheets will be easier to defend against rising rates.
- The Fed confirmed in May that at least two more 50 basis point rate hikes are on the table in the coming months, and they will also release their annual stress test of the banking system later this month. This will give us insight as to how banks are performing in this new environment.

Index Performance (as of 5/31/2022)

		May	Year-to-Date	One-Year
ARIZONA	Equity			
	U.S. Large Cap	0.18%	-12.76%	-0.30%
CALIFORNIA	U.S. Small Cap	0.15%	-16.57%	-16.92%
	Developed Non-U.S.	0.89%	-11.02%	-9.90%
COLORADO	Emerging Market	0.47%	-11.68%	-19.56%
	Real Assets			
FLORIDA	Real Estate	-4.34%	-12.26%	-4.72%
	Commodities	1.52%	32.74%	41.85%
GEORGIA	Natural Resource Equities	10.04%	37.86%	45.78%
	Fixed Income			
MASSACHUSETTS	<u>Core Plus</u>			
	U.S. High Yield Debt	0.25%	-8.00%	-5.27%
NEW JERSEY	Emerging Market Debt	1.76%	-10.55%	-16.55%
	<u>Core Bonds</u>			
NEW YORK	U.S. Aggregate Bonds	0.64%	-8.92%	-8.22%
	U.S. Treasuries	0.18%	-8.33%	-7.50%
TEXAS	U.S. Municipal Bonds	1.39%	-5.09%	-4.86%
		Current	Prior Month	One-Year Ago
BELLEVUE, WA	Month-End Values/Yield			
	CBOE Volatility Index	26.19	33.40	16.76
SEATTLE, WA	10-Year Treasury Yield	2.85%	2.89%	1.58%
WASHINGTON D.C.				

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U.S. Large Cap Equity is represented by the S&P 500 Index, with dividends reinvested. U.S. Small Cap Equity is represented by the Russell 2000 Index. Developed Non-U.S. Equity is represented by the MSCI EAFE Index. Emerging Market Equity is represented by the MSCI EM Index. Real Estate is represented by the S&P Global Property Index. Commodities are represented by the Bloomberg Commodity Index. Natural Resource Equities are represented by the S&P North American Natural Resources Index. U.S. High Yield Debt is represented by the Bloomberg Barclays U.S. Corporate High Yield Index. Emerging Market Debt is represented by the JPM GMI-EM Global Diversified Index. U.S. Aggregate Bonds is represented by the Bloomberg Barclays U.S. Aggregate Bond Index. U.S. Treasuries is represented by the Bloomberg Barclays U.S. Treasury Index. U.S. Municipal Bonds is represented by the Bloomberg Barclays Municipal 1-10yr Index.