Clients and Friends of ICS:

A weekly market review for the week ending May 6th, 2022

Stocks
Extreme volatility last week caused the major indices to suffer their fifth consecutive week of losses. Interest rates and inflation woes continued to weigh on investor sentiment as growth stocks continued to sell-off. The decline pushed the DJIA briefly into correction territory along with the S&P 500 and MidCap indexes. The Russell 2000 and NASDAQ composite also continued to slide, firmly placing them in bear market territory.

The Fed
All eyes were on the Federal Reserve's policy meeting on Tuesday and Wednesday last week. On Wednesday afternoon, policymakers announced a 50-basis-pont rise in the federal funds target rate, bringing the range to 0.75%-1.00%. The Fed also announced a reduction in its balance sheet of U.S. Treasuries and agency mortgage-back securities at a pace of $47.5 billion, increasing over the next few months to $95 billion.

The market reaction initially seemed to be muted, until Fed Chair Jerome Powell stated in a press conference that an increase of 75-basis-points was "not something we are actively considering". Market rallied exceptionally on the news and all major indices closed higher on Wednesday.

However, markets gave back their gains on Thursday as investors seemed to question whether a 75-basis-point increase really was off the table. Inflation data also spooked investors after it was reported that nonfarm unit labor costs rose 11.6% in the first quarter, well above investor expectations of 9.9%. Friday's job report stated that employers adding 428,000 jobs in April versus the anticipated amount of 390,000. While the report beat expectations, investors seemed to react negatively to the news.

Bonds
The yield on the benchmark 10-year U.S. Treasury note reach 3.00% for the first time since 2018, eventually reaching 3.18% by the end of the day on Friday. The yield curve continued to steepen as longer-term Treasury yields rose causing investors to assume that the yield curve will not flatten in the future. Municipal bonds sold off but fared slightly better than Treasuries.

While the market experienced more of a risk-off sentiment, investment grade corporate bonds struggled but outperformed equities. In the high yield bond market, investors seemed to have an appetite for some CCC rated bonds that traded higher after reported better-than-expected earnings.

Index Performance Ending May 6th, 2022

Equities	Index	Week	YTD
U.S. Large Caps	DJIA	-2.47%	-11.26%
U.S. Large Caps	S&P 500	-3.95%	-16.26%
NASDAQ Listed	Nasdaq Composite	-7.28%	-25.71%
U.S. Mid-Caps	S&P MidCap 400	-4.68%	-15.34%
U.S. Small Caps	Russell 2000	-6.42%	-21.52%
International Developed	MSCI EAFE	-4.72%	-17.08%
Emerging Markets	MSCI EM	-6.07%	-18.63%

Bonds	Index	Week	YTD
U.S. Treasuries	Bloomberg Barclays U.S. Treasury	-0.04%	-9.84%
U.S. Investment Grade	Bloomberg Barclays U.S. Corporate	-0.43%	-15.39%
U.S. High Yield	Bloomberg Barclays U.S. Corporate High Yield Total Return Index	-1.87%	-10.41%

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