

Clients and Friends of ICS:

A weekly market review for the week ending May 20th, 2022

Stocks

The major indices continued their decline lower last week. Consumer discretionary spending saw a pullback, causing investors to fear that growing inflation is weighing heavily on consumers. On Friday, the S&P 500 reached bear market territory, or down over 20% from its most recent intraday high. The sell-off was due to a variety of factors, however discouraging earnings results from the nation's top retailers seemed to dominant sentiment. Shares of Target fell 25% after reporting earnings that were roughly a third below investors expectations.

Other major retailers such as Costco, Home Depot, Walmart, and Lowe's also reported disappointing earnings. While profit margins suffered, investors seem to be worried that these major retailers are going to be forced to pass their higher input costs to customers. In doing so, inflation may remain elevated in the coming months.

In addition, comments from Fed Chair Jerome Powell reinforced inflation and interest rate fears. He eventually stated that there was an "unconditional need" to tame inflation and that policymakers would raise rates as much as needed even if there was "some pain involved".

Bonds

The yield on the benchmark 10-year Treasury note fell to 2.77% on Thursday. Municipal bonds recorded negative returns for the week and underperformed Treasuries. The investment-grade corporate bond market experienced volatility last week as many top retailers missed earnings estimates. High yield bonds started the week off strong. However as the week went on, the asset class retreated its gains as CCC rated bonds fared worse.

Index Performance Ending May 20th, 2022

Equities	Index	Week	YTD
U.S. Large Caps	DJIA	-2.98%	-13.97%
U.S. Large Caps	S&P 500	-2.66%	-18.14%
NASDAQ Listed	Nasdaq Composite	-4.49%	-26.27%
U.S. Mid-Caps	S&P MidCap 400	-1.88%	-15.70%
U.S. Small Caps	Russell 2000	-1.67%	-21.34%
International Developed	MSCI EAFE	1.16%	-13.87%
Emerging Markets	MSCI EM	1.61%	-15.78%

Bonds	Index	Week	YTD
U.S. Treasuries	Bloomberg Barclays U.S. Treasury	0.71%	-8.89%
U.S. Investment Grade	Bloomberg Barclays U.S. Corporate	0.69%	-14.46%
U.S. High Yield	Bloomberg Barclays U.S. Corporate High Yield Total Return Index	-0.46%	-10.77%

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