

Global Market Investment Returns

June 30, 2022

		<u>June 2022</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
U.S. Large Cap Equities	S&P 500	-8.25%	-19.96%	-10.62%	10.60%	11.31%	12.96%
U.S. Small Cap Equities	Russell 2000	-8.22%	-23.43%	-25.20%	4.21%	5.17%	9.35%
Energy Infrastructure Equities	Alerian U.S. Midstream Energy	-13.40%	11.96%	11.51%	5.17%	4.22%	-
U.S. Real Estate Equities	Dow Jones U.S. Select REIT	-7.75%	-21.14%	-6.41%	2.54%	4.28%	6.61%
Global Equities	MSCI All Country World Index	-8.43%	-20.18%	-15.75%	6.21%	7.00%	8.76%
International Developed Equities	MSCI EAFE	-9.28%	-19.57%	-17.77%	1.07%	2.20%	5.40%
Emerging Market Equities	MSCI Emerging Markets	-6.65%	-17.63%	-25.28%	0.57%	2.18%	3.06%
U.S. Taxable Fixed Income	Bloomberg U.S. Aggregate	-1.57%	-10.35%	-10.29%	-0.93%	0.88%	1.54%
U.S. Tax-Exempt Fixed Income	Bloomberg Municipal Aggregate	-1.64%	-8.98%	-8.57%	-0.18%	1.51%	2.38%
High Yield Fixed Income	Bloomberg U.S. Corporate High Yield	-6.73%	-14.19%	-12.81%	0.21%	2.10%	4.47%
Floating Rate Loans	S&P/LSTA Leveraged Loan	-2.16%	-4.56%	-2.78%	2.09%	2.91%	3.74%
International Fixed Income	Bloomberg Global Aggregate Ex-U.S.	-4.50%	-16.49%	-18.78%	-5.07%	-1.75%	-1.06%

- **Dismal June results pushed equity indexes lower, leading to the worst first half for developed market equities in over 50 years.**
 - Sharply negative returns were attributable to slowing global growth amid high inflation and central bank tightening.
 - Despite mounting recession fears, consensus analysts forecast slow, but positive, earnings growth in 2022 and 2023.
 - U.S. high quality value stocks again outperformed growth. Value has beaten growth stocks by 15% year-to-date.
 - Developed international equities declined 9.3%, while emerging markets equities fared slightly better, falling 6.7%.
 - Developed market returns were predominately attributable to the reduction in energy supplies, with gas rationing now in place.
 - Emerging market equity returns were slightly better, as a broad reopening in China pushed Chinese equities to a positive quarter.
- **2022 experienced the worst first half for all U.S. and Global bonds since the inception of all but one index.**
 - Government bonds were hit particularly hard, as markets moved to price in significant further interest rate increases.
 - Year-to-date, the 10-year U.S. Treasury was down nearly 13%, as yields rose 160 basis points to 3.10%.
 - Investment grade corporate bonds were similarly down sharply as the yield rose 240 basis points to 4.75%.
 - High yield bonds had provided some shelter from rising rates but declined sharply in June on recession fears triggering rising defaults. Yields ended the month considerably higher at 8.8%.
 - Floating rate loans offered the best downside protection, falling less than 5% year-to-date and offering a yield of 7.2% at month-end.

- Equity valuations have continued to decline amid expectations for higher interest rates and recession fears.
- Except for growth stocks, U.S. equity categories were trading below their 20-year average price-to-earnings ratios. (Left Chart)
- Despite falling nearly 30% year-to-date, growth stock valuations were still trading above their historical average. (Middle Chart)
- Bonds failed to provide the downside protection investors expected; any new capital added now will lock in higher yields. (Right Chart)

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	12.9 / 13.7	15.9 / 15.5	21.3 / 18.5
Mid	12.4 / 14.4	14.3 / 16.3	19.9 / 20.3
Small	13.6 / 16.9	17.1 / 21.4	22.9 / 35.4

Current P/E as % of 20-year avg. PE

	Value	Blend	Growth
Large	94.0%	103.1%	114.9%
Mid	86.3%	87.7%	98.2%
Small	80.2%	80.0%	64.8%

YTD

	Value	Blend	Growth
Large	-12.2%	-19.3%	-27.2%
Mid	-15.5%	-20.8%	-30.2%
Small	-16.9%	-22.9%	-28.9%

Since market low (March 2020)

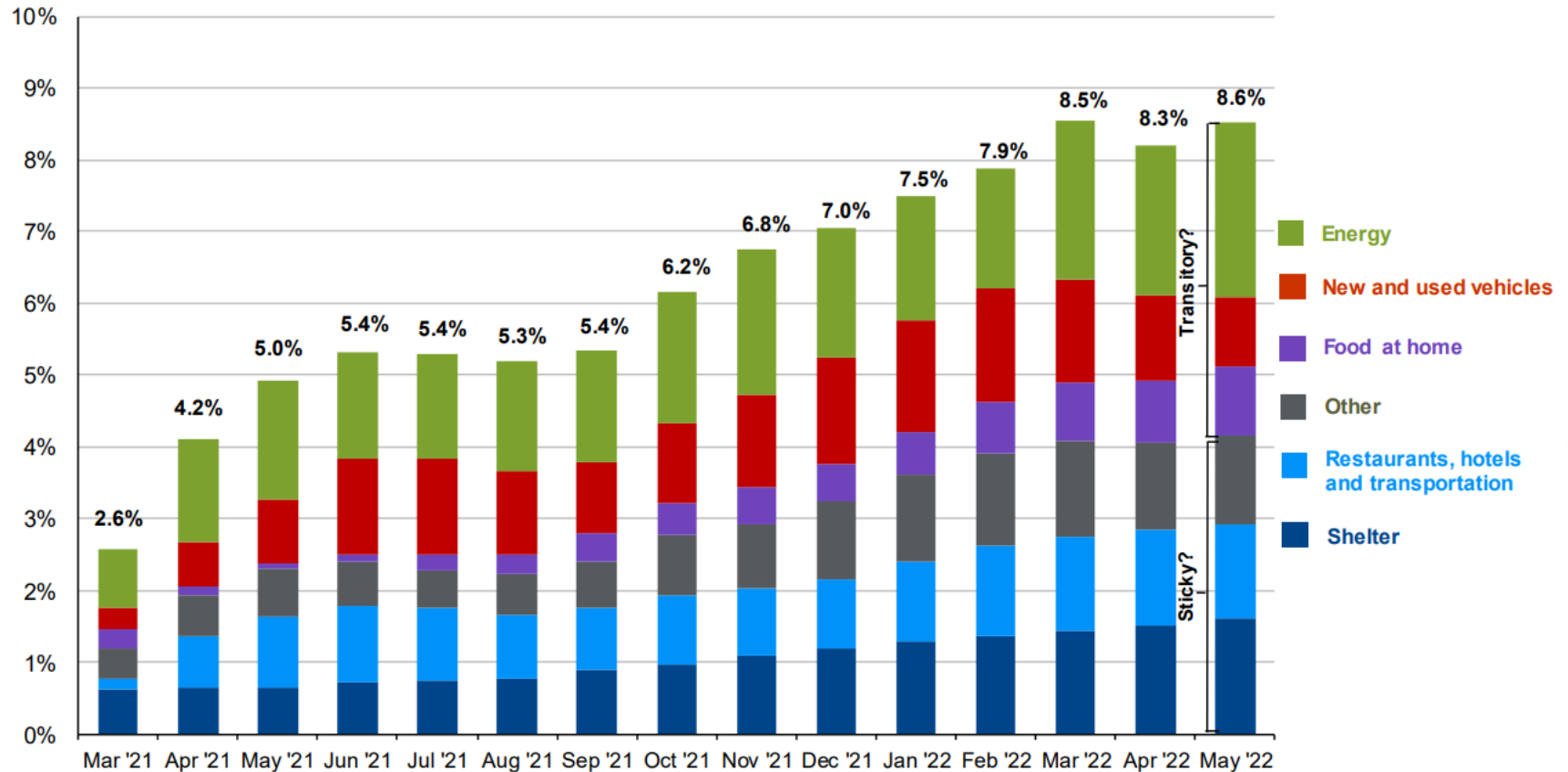
	Value	Blend	Growth
Large	80.4%	76.8%	71.8%
Mid	97.8%	83.3%	55.1%
Small	100.3%	76.2%	52.3%

U.S. Treasuries	Yield		Return			
	6/29/2022	12/31/2021	2022 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	3.06%	0.73%	-3.21%	2 years	0.68	-0.34
5-Year	3.15%	1.26%	-7.63%	5	0.92	-0.30
TIPS	0.74%	-1.04%	-8.83%	10	0.58	0.22
10-Year	3.10%	1.52%	-12.35%	10	1.00	-0.27
30-Year	3.22%	1.90%	-24.26%	30	0.93	-0.26
Sector						
U.S. Aggregate	3.79%	1.75%	-10.72%	8.6	0.85	0.09
IG Corps	4.75%	2.33%	-14.59%	11.4	0.46	0.42
Convertibles	7.63%	3.66%	-18.92%	-	-0.22	0.87
U.S. HY	8.80%	4.21%	-13.85%	5.9	-0.21	0.73
Municipals	3.25%	1.11%	-9.25%	12.8	0.42	0.13
MBS	3.85%	1.98%	-9.23%	7.8	0.80	-0.06
ABS	4.51%	1.96%	-3.08%	2.4	-0.41	0.61
Leveraged Loans	7.19%	4.60%	-2.18%	2.6	0.04	0.06

- Headline CPI slipped in April, but increased in May as a result of higher Food and Energy costs; Core CPI decreased slightly.
- The Fed's tightening cycle will have minimal impact on Food and Energy prices, but should gradually lower "sticky" inflation.
- The Fed is committed to do "whatever-it-takes" to control high inflation, but reiterated at its ECB annual conference that the U.S. economy is in good shape and well positioned to withstand tighter monetary policy.

Contributors to headline inflation

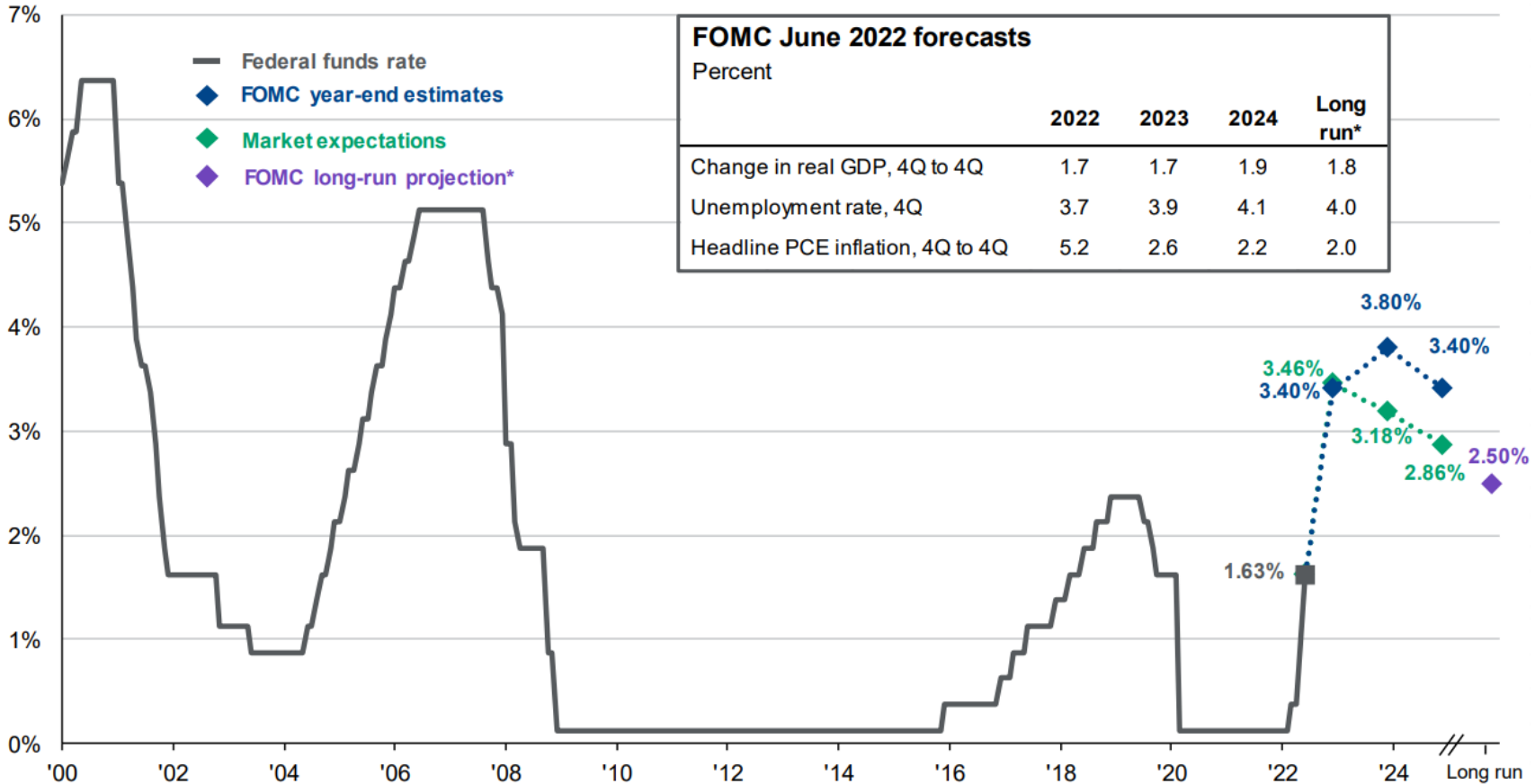
Contribution to y/y % change in CPI, non seasonally adjusted



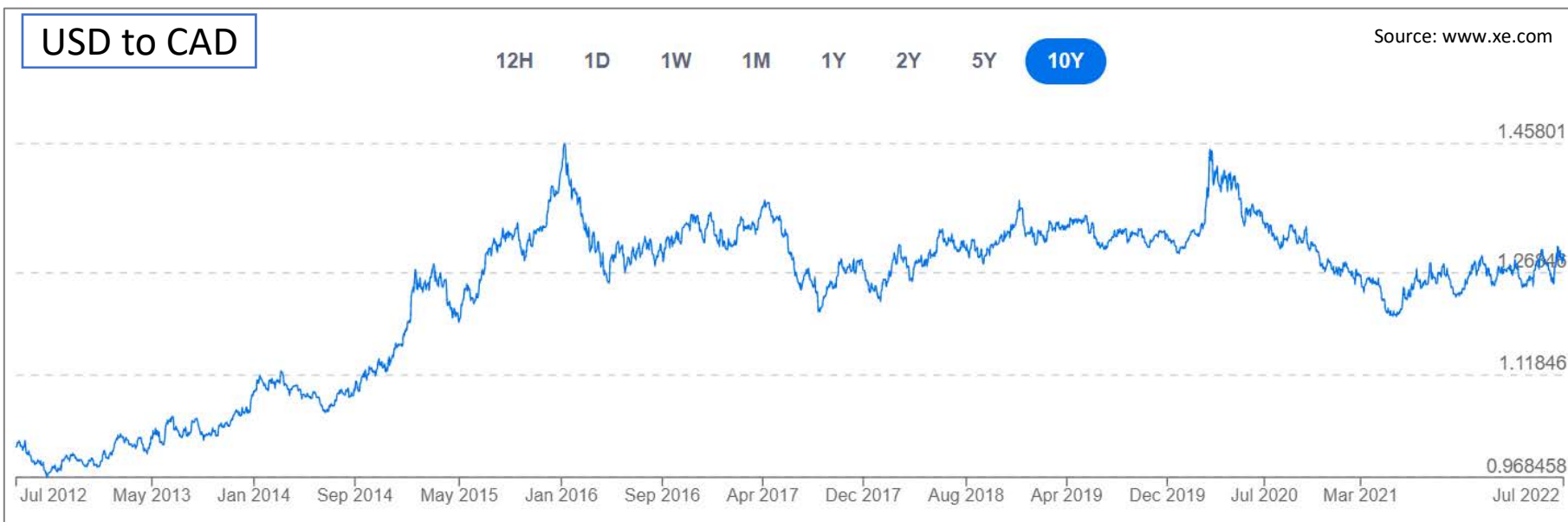
- The U.S. Federal Reserve raised interest rates by 0.25% in March, 0.50% in May and 0.75% at the June meeting.
- The market expectation for Fed Funds rates increased 0.71%, MoM, rising to 3.46% by the start of 2023.
- The longer-term market expectation for Fed Funds rates increased by 0.30%, MoM, rising to 3.18% by the end of 2024.

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- The U.S. dollar strengthened 1.8% against the Canadian dollar in June, ending the month with an exchange rate of 1.2871.
- Canada's economy grew by 0.3% in April, according to Statistics Canada, but preliminary guidance suggests a contraction of 0.2% in May.
- The growth in April was attributable to mining, quarrying and oil and gas extraction/production.
- If May does result in negative growth, it would be only the second monthly drop over the past 12 months.
- While recent data suggested that energy production, food services and accommodation sectors remained healthy, softness is expected elsewhere. Specifically, the resources, construction and manufacturing sectors are expected to slip, and there is a negative outlook for the real estate sector, with home sales having declined 25% year-over-year, compared to 2021's blistering pace.



Date Range	USD to CAD	+/-
YTD	1.2655-1.2871	+1.7%
1-Year	1.2404-1.2871	+3.8%
3-Years	1.3092-1.2871	(1.7%)

\$USD 1,000,000
 =
\$CAD 1,287,149
 @ 1.2871
 (6/30/2022)

CAD Profile	
*Inflation Rate	7.7% (May 2022)
Interest Rate	1.50% (Jun 2022)
Information	http://www.bankofcanada.ca

*Total CPI Inflation

Sources: xe.com, Statistics Canada, bankofcanada.com, CBC News

The larger chart below shows the historical price of copper, which is displayed in U.S. dollars per pound. The chart provides 25 years of price history. The embedded chart provides a zoomed-in image of daily copper price movement over the past 12 months.

Copper prices were down \$0.68 per pound year-to-date, or 15.2% (6/30/2022). Since the \$2.10 low point on March 23, 2020, prices have risen \$1.68 per pound, or 80%.

The price of copper was \$3.78 per pound as of June 30, 2022.



Copper Price Outlook

Copper prices quickly rose to \$4.55 per pound in early June, before falling sharply to end the month down \$0.52 per pound, or 12.1%, to \$3.78.

The monthly decline, which marked a low point not seen since February 2021, was primarily attributable to fears of a demand-suppressing global economic recession.

While the longer-term looks less favorable, over the nearer-term the outlook is more positive, as eased Covid-19 restrictions in China are expected to increase demand.

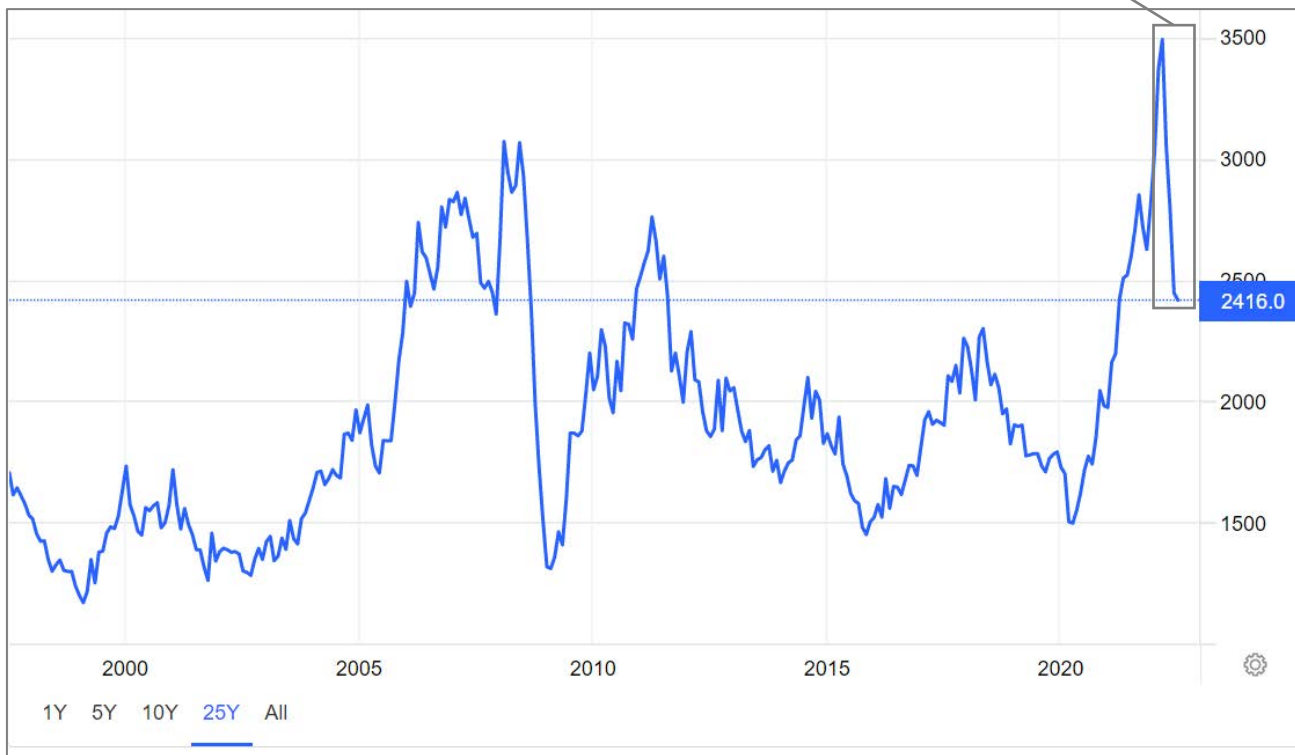
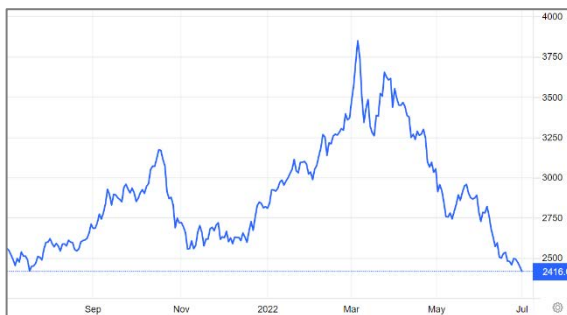
On the supply side, a resolution was reached in June between striking workers at Chile’s largest copper producer, and the Codelco company.

Looking ahead, guidance suggests copper will trade at \$3.60 USD per pound by the end of the third quarter, and at \$3.45 in 12 months’ time.

The primary chart below shows the historical monthly price of aluminum for the past 25 years. The secondary chart shows the daily price movement over the past 12 months. Prices are in USD per tonne (London Metal Exchange).

Aluminum prices were down \$362 per tonne year-to-date, or 12.9% (6/30/2022). Since the \$1,472 low point on April 6, 2020, prices have risen \$973, or 66.1%. The all-time record price of aluminum was \$3,849 per tonne in March of 2022.

The price of aluminum was \$2,445 per tonne as of June 30, 2022.



Aluminum Price Outlook

Aluminum prices declined sharply and consistently in June, falling \$341 per tonne, or 12.3%.

The lower prices were attributable to muted demand and soaring production.

The reduced demand was due to a combination of concerns about slowing global economic growth, high inflation, and rapidly increasing borrowing costs.

The increased supply was driven by China, which recorded another monthly production high in May amid reduced consumption restrictions.

Looking ahead, aluminum is forecasted to trade at \$2,337 USD/tonne by the end of the third quarter. The 12-month forecast shows aluminum trading at \$2,223.

- The price of a barrel of crude oil decreased \$4.89 in June, or 4.3%, to \$109.78 (prices have since fallen to approximately \$96 per barrel as of July 6, 2022).
- The average price of regular unleaded gasoline was \$4.84 per gallon at the end of June, an increase of \$0.17, month-over-month.

Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	19.5	18.6	18.9	20.2	21.5	10.3%
OPEC	34.6	30.7	31.7	34.5	35.0	1.3%
Russia	11.5	10.5	10.8	10.0	9.2	-20.2%
Global	100.3	93.8	95.6	99.9	101.6	1.3%
Consumption	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	20.5	18.2	19.8	20.5	20.8	1.2%
China	14.0	14.4	15.3	15.6	16.1	14.6%
Global	100.9	91.9	97.4	99.6	101.6	0.7%
Inventory Change	2019	2020	2021	2022*	2023*	Growth since '19
	-0.6	2.0	-1.8	0.3	0.0	

June was a particularly erratic period for oil.

During the month, the price-per-barrel of crude rose sharply to more than \$122, before falling \$17.84, or 15%, down to an intra-month low of \$104.27.

The significant price movements were attributable to a confluence of factors, including a backdrop of weakening global economic growth and subdued demand, and increased OPEC+ production by nearly 650,000 barrels per day in July and August.

Crude oil is expected to trade at \$115 per barrel by the end of the third quarter, and \$124 per barrel in 12 months' time.

Price of oil

WTI crude, nominal prices, USD/barrel

