



Market Commentary May 31, 2022

Dear Investors:

Investors reassessed and markets bounced.

Last week, major U.S. stock indices moved higher for the first time in weeks. The Dow Jones Industrial Average gained 6.2 percent, the Standard & Poor's 500 Index was up 6.6 percent, and the Nasdaq Composite rose 6.9 percent, reported Ben Levisohn of *Barron's*.

The change in investor attitude may have been influenced by a variety of factors, including:

- **Strong corporate earnings (profits).** Not only were U.S. companies profitable during the first three months of this year, company leaders and market analysts anticipate they will remain profitable throughout 2022. Ninety-seven percent of the companies in the S&P 500 have reported earnings so far, and the blended earnings growth rate is 9.2 percent. Over the full year, analysts anticipate profits will increase by 10.1 percent, reported John Butters of FactSet.
- **More attractive share prices.** The price-to-earnings (PE) ratio is one way for investors to understand whether a company's stock is priced fairly. The PE ratio compares a company's share price to its earnings (profits). At the end of last week, the forward PE ratio for companies in the S&P 500 Index was 17.1. That's between the five-year average of 18.6 and the 10-year average of 16.9, reported FactSet.
- **Optimism about the Fed's approach to tightening.** The minutes for the Federal Reserve Open Market Committee meeting became available last week. Investors were encouraged by the Fed's policy approach.

"The rally...extended on Wednesday when the Federal Reserve, while acknowledging that it will lift interest rates further in the next couple of meetings, implied that it may slow down the pace of rate hikes if the economy continues to slow down," reported Jack Denton and Jacob Sonenshine of *Barron's*.

- **The possibility that inflation may have peaked.** The rally continued after the Personal Consumption Expenditure Price Index, which is the Federal Reserve's favorite inflation measure, showed the pace of inflation slowed in April. Headline inflation was 6.3 percent year-over-year, down from 6.6 percent in March.

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While last week's U.S. stock market rally was appreciated, markets are likely to remain volatile for some time.

Data as of 5/27/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	6.6%	-12.8%	-1.0%	14.1%	11.5%	12.1%
Dow Jones Global ex-U.S. Index	2.5	-13.4	-15.2	3.5	1.9	3.9
10-year Treasury Note (yield only)	2.7	N/A	1.6	2.2	2.2	1.7
Gold (per ounce)	1.0	1.7	-2.1	13.2	8.0	1.6
Bloomberg Commodity Index	2.5	35.0	44.3	19.0	10.0	0.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods. Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WHAT DID YOU SAY?

Idioms are phrases that don't mean what they say. For example, imagine you hear a person say, "That's a piece of cake!" The odds are you won't look around for a slice of German Chocolate because you know they don't mean it literally. They're using an idiom to indicate that a task is easy.

There are lots of money and financial idioms. See what you know about financial phrases by taking this brief quiz.

1. When you need a rough estimate of cost, you might ask for:
 - a. The bottom line
 - b. Hush money
 - c. A ballpark figure
 - d. Two cents
2. From a financial perspective, which is better?
 - a. To break the bank
 - b. To take a bath
 - c. To go Dutch
 - d. To have a cash cow
3. This idiom originated when American Joe Gans was competing for the championship in his sport. His mom told him to "bring home the bacon." He won the 1906 event and received \$6,000 in prize money. What sport was it?
 - a. Golf
 - b. Boxing
 - c. Cycling
 - d. Speed skating
4. In Italy, when someone is stingy or cheap, they say that the person:
 - a. Has short arms
 - b. Is sitting in salt
 - c. Has holes in their hands
 - d. Pares cheese

What money idioms do you use frequently?

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Weekly Focus – Think About It

“It's not about what it is, it's about what it can become.”

—Dr. Seuss, *The Lorax*

Answers:

1) C; 2) d; 3) b; 4) a

Best regards,

SYMPHONY FINANCIAL SERVICES, INC.

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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- * Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
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- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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- * Asset allocation does not ensure a profit or protect against a loss.
- * Consult your financial professional before making any investment decision.

Sources:

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