



Market Commentary July 11, 2022

Dear Investors:

Rising inflation is a bit like a child throwing a temper tantrum in the grocery store.

The red-faced parent, in this case the U.S. Federal Reserve (Fed), tries to calm the child. Sometimes, it works and the child calms down (soft landing). Other times, the child won't settle, and the parent takes more extreme action, like leaving and coming back for groceries later (recession).

The Fed is laser focused on calming inflation. At a June press conference, Fed Chair Jerome Powell said, "We have both the tools we need and the resolve that it will take to restore price stability on behalf of American families and businesses. The economy and the country have been through a lot over the past two and a half years and have proved resilient. It is essential that we bring inflation down if we are to have a sustained period of strong labor market conditions that benefit all."

To calm inflation, the Fed has tightened monetary policy aggressively, taking steps that include raising the federal funds target rate by 1.5 percent from March through June of this year. Raising the fed funds rate pushes interest rates higher so borrowing costs go up, and consumer and business spending fall. Lower spending slows economic growth and prices fall.

According to data released last week, the United States economy is slowing but remains quite strong. The data showed:

- **Service industries and manufacturing continue to grow.** The ISM[®] Purchasing Manager's Indexes (PMIs) for manufacturing and services showed continued growth in June, although the pace of growth slowed, reported Karishma Vanjani of *Barron's*.
- **Jobs growth was stronger than expected in June.** More new jobs were created in June than anyone had expected, but the topline number may not tell the whole story. Ben Levisohn of *Barron's* explained:

"...the jobs report, in particular, might not have been as good as it looked. While the establishment number was very strong, the household survey showed a loss of 300,000 jobs, while the unemployment rate remained unchanged at 3.6% only because the workforce shrank. At the same time, average hourly earnings increased by a mere 0.3% in June from May's level, lower than the rate of inflation."

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- **The middle of the yield curve flattened.** At the end of last week, the yield on the two-year U.S. Treasury was 3.12 percent, slightly above the yield on the benchmark 10-year Treasury. The yield on the three-month Treasury finished the week at 1.98 percent. A flattening yield curve suggests that investors are concerned about what may be ahead for the economy. When the yield curve inverts, it's a sign recession may be ahead.

Last week, major U.S. stock indices moved higher, according to *Barron's*, while Treasury bonds lost value as yields moved higher across the yield curve.

Data as of 7/8/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	1.9%	-18.2%	-9.8%	9.4%	9.9%	11.2%
Dow Jones Global ex-U.S. Index	0.8	-20.1	-20.6	-0.7	0.2	2.7
10-year Treasury Note (yield only)	3.1	N/A	1.3	2.0	2.4	1.5
Gold (per ounce)	-3.3	-4.5	-3.8	7.5	7.5	0.9
Bloomberg Commodity Index	-1.0	16.9	25.2	13.6	7.1	-1.8

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.

THINKING ABOUT RETIRING OUTSIDE THE U.S.? There are lots of amazing places to retire in the United States but retiring elsewhere can be an attractive alternative. Some countries offer incentives to Americans who retire abroad, reported Laura Kiniry of *Condé Nast Traveler* (CNT).

“Small towns in countries like France, Spain, and Italy, for example, sell off fixer-upper homes for one euro to attract foreign investments; other places are more directly trying to tempt retirees and pensioners looking to relocate, with visas that promise tax cuts, and steep-discount programs that make U.S. dollars go a long way.”

Every year, the *International Living Retirement Index* identifies “locations where retirees can spend less money, live happily and healthily, and experience a new country without straying too far from all that is familiar,” reported Caitlin Morton of CNT. For 2022, top destinations include Panama, Costa Rica, Mexico, Portugal and Columbia.

If you're considering retiring overseas, plan carefully. In addition to visiting and researching your retirement destination, make sure you work with experts who understand:

- **Banking options.** Anti-money laundering laws can make banking in foreign countries tricky. “It can take several months to open the account and you might still have to explain to the bank each time you transfer money from the U.S.,” reported a source cited by Greg Bartalos of *Barron's*.
- **International taxes.** Depending on where you retire, the tax implications could be significant, reported Sarah Ovaska in the *Journal of Accountancy*. As long as you're an American citizen, you have to report – and pay taxes on – the income you earn, no matter where you live. You may also owe taxes in the country where you retire.
- **Social Security benefits.** More than one-half of a million Americans who receive Social Security benefits live outside the United States. The Social Security Administration has tools that can help

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you determine whether you're eligible, but it never hurts to work with someone who understands the nuances.

If you retired overseas, where would you settle?

Weekly Focus – Think About It

“Travel isn't always pretty. It isn't always comfortable. Sometimes it hurts, it even breaks your heart. But that's okay. The journey changes you; it should change you. It leaves marks on your memory, on your consciousness, on your heart, and on your body. You take something with you. Hopefully, you leave something good behind.”

—Anthony Bourdain, Chef and author

Best regards,



John Y. Kim, J.D., LL.M.
President

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.

* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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