



Market Commentary August 8, 2022

Dear Investors:

The strength of the United States economy continues to surprise.

If you have ever been camping, you may have banked your campfire by covering the hot coals with ash. It's a process that keeps the coals burning low so the fire can be easily rekindled. The U.S. Federal Reserve has been trying to bank the fire of U.S. economic growth – and it's proving to be challenging.

There are signs that U.S. economic activity is burning less brightly. For example, economic growth declined during the last two quarters, the U.S. housing market appears to be cooling, and consumer sentiment is low, reported Colby Smith of *Financial Times*. However, last week's data suggested some parts of the economy are still ablaze.

- **Unemployment fell to 3.5 percent, tying a five-decade low.** The U.S. labor market was on fire in July, adding more than twice the number of jobs economists had expected, reported Jeffrey Bartash of *MarketWatch*. The primary driver behind the gains was women returning to work, reported Catarina Saraiva and Maria Paula Mijares Torres of *Bloomberg*.

The jobs numbers added fuel to the debate about whether the U.S. is in a recession. “The labor market in the first seven months of 2022 looks nothing like the labor market in most recessions. Friday’s jobs report was unambiguous. Far from losing steam, the labor market recovery has been firing on all cylinders,” wrote labor economist Julia Pollak in a *Barron’s* opinion piece.

- **Corporate profits grew in the second quarter.** So far, 87 percent of the companies in the Standard & Poor’s 500 Index have reported on second quarter earnings. While the pace of growth is slower than the five-year average, three-out-of-four companies have reported higher than expected profits, reported John Butters of *FactSet*.

“The blended...earnings growth rate for the second quarter is 6.7% today,” reported *FactSet*. “Six of the 11 sectors are reporting year-over-year earnings growth, led by the Energy, Industrials, and Materials sectors. On the other hand, five sectors are reporting a year-over-year decline in earnings, led by the Financials, Consumer Discretionary, and Communication Services sectors.”

- **The services sector continued to recover.** Economic activity in the services sector grew for the 26th month in a row. It was up 1.4 percentage points in July, according to the latest Services ISM® Report On Business®. “Growth in the U.S. services sector unexpectedly strengthened to a

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three-month high in July on firmer business activity and orders, easing concerns of a broader economic slowdown,” reported Jordan Yadoo of *Bloomberg*.

Last week, major U.S. stock indices delivered mixed performance, while U.S. Treasury yields rose, reported Jack Denton of *Barron's*.

| Data as of 8/5/22 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|------------------------------------|---------------|--------------|---------------|---------------|---------------|----------------|
| Standard & Poor's 500 Index | 0.4% | -13.0% | -6.4% | 13.4% | 10.8% | 11.5% |
| Dow Jones Global ex-U.S. Index | -0.2 | -17.7 | -19.5 | 2.1 | -0.1 | 2.7 |
| 10-year Treasury Note (yield only) | 2.8 | N/A | 1.2 | 1.7 | 2.3 | 1.6 |
| Gold (per ounce) | 1.1 | -2.6 | -1.5 | 6.6 | 7.1 | 1.0 |
| Bloomberg Commodity Index | -3.3 | 18.8 | 23.7 | 15.4 | 7.1 | -1.9 |

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 DO YOU DO WHEN IT'S REALLY HOT OUTSIDE? In the United Kingdom, they're cooling off by eating ice cream. It has been hot in England this summer. Temperatures reached 104 degrees Fahrenheit for the first time ever. Asphalt buckled at airports and on roads, and the British government recommended that people stay home, reported Becky Sullivan of *NPR*.

Those who ventured out could visit a pop-up store offering a unique treat: ice cream flavored to taste like savory sauces, condiments, breakfast cereals, and other foods that might be found in a British pantry. The adventurous could pick up pints of ice cream flavored to taste like:

- Tomato ketchup
- Rolled oats
- Coco pops
- Soy sauce
- Black tea
- Mayonnaise
- Salad cream
- Golden syrup
- Worcestershire sauce
- Baked beans

“There's lots of weird flavors and...me and my sister were very excited to try lots of them,” one nine-year-old customer told Natalie Thomas of *Reuters*.

What's do you like to do when it's hot outside?

Weekly Focus – Think About It

“So long as you have food in your mouth, you have solved all questions for the time being.”

—*Franz Kafka, novelist*

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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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- * 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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- * Consult your financial professional before making any investment decision.

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