

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 9.22% in July.
- ▶ Within the S&P 500 Index, all of the eleven sectors posted positive returns. The Consumer Discretionary sector was the best performer of the month, returning 18.94%. Information Technology was second best, posting a return of 13.54%. Consumer Staples was the worst performing sector posting a return of 3.30%.
- ▶ By market capitalization, small-caps (Russell 2000) led the way returning 10.44%, while mid-caps (Russell Mid Cap Index) returned 9.87% and large-caps (Russell 1000 Index), returned 9.31%. Growth stocks significantly outperformed value stocks across all capitalizations.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 3.42%. Developed markets, represented by the MSCI EAFE Index, returned 4.98%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned -0.25% in July.
- ▶ Within the ACWI ex-U.S. Index, 10 of the 11 sectors posted positive returns. Industrials was the best performing sector, with a return of 8.10%, and the second-best performer was Information Technology returning 7.43%. Communication Services was the worst performer, positive a negative return of -2.14%.
- ▶ Non-U.S. returns were varied, with North America performing the best, returning 9.07%, while EM Asia performed the worst, seeing losses, returning -1.28%.

Fixed Income

- ▶ The Federal Reserve's (Fed) decision to raise the fed funds rate 75 basis points (bps) in July saw the Treasury yield curve invert with 2-year rates 24 bps above the 10-year. The 10-year saw a 37 bps decrease in rates and the 30-year saw a decrease of 18 bps, while the 2-year and 5-year rates declined by seven and 36 bps, respectively, leading to the broad treasury index returning 1.7% for the month.
- ▶ The Bloomberg Barclays U.S. Aggregate Index (Aggregate) gained 2.44% in July. Investment-grade (IG) credit as a whole returned 3.04%, AAA-rated bonds returned 1.52%, AA-rated bonds returned 2.85%, A-rated bonds returned 3.02%, and BBB-rated bonds returned 3.34%. High-yield corporates saw a gain of 5.90% during the month.
- ▶ Yields saw gains on the very short end of the spectrum, with an increase of 70 bps on the 3-month of the U.S. Treasury yield curve during the month of July.

Alternatives and Other Asset Classes

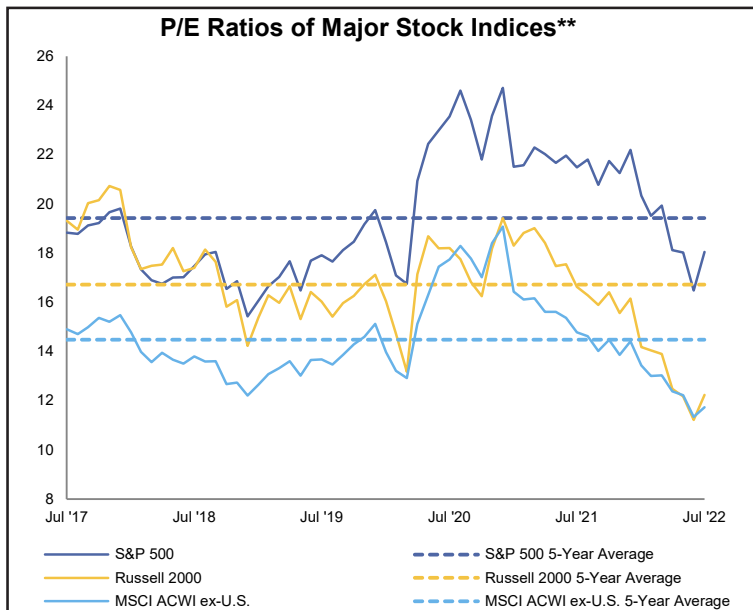
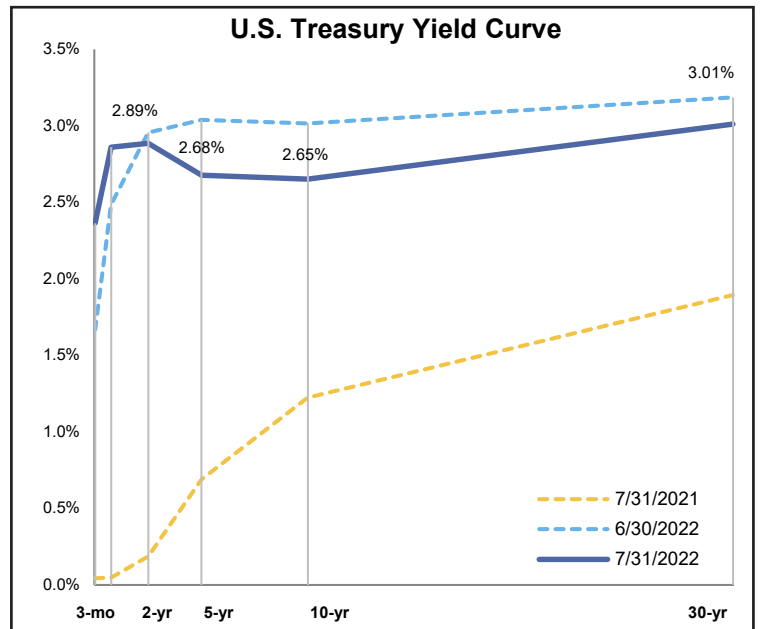
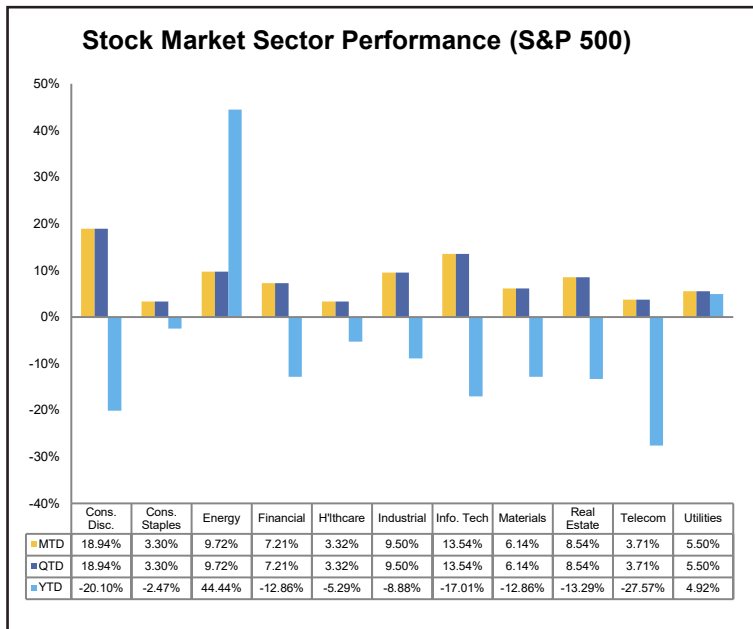
- ▶ Real estate investment trusts (REITs) represented by the FTSE NAREIT Index returned 9.06%. Performance was positive for all of the nine real estate sectors. Lodging and Resorts did the best, returning 14.44%. The worst-performing sector of the month was Data Centers, returning 5.17%.
- ▶ The active contract for West Texas Intermediate (WTI) crude fell to \$98.62/barrel in July, down from \$105.76/barrel at the end of June, and though it is still up \$24.67/barrel year-over-year.

Items to Watch

- ▶ The Federal Open Market Committee decided to raise the target range for the federal funds rate by 75 bps in July to 2.25%-2.50%, marking the fourth consecutive rate hike this year. Inflation continues to surge, reaching a four-decade peak of 9.06% in June. Looking forward, the Fed "anticipates that ongoing increases in the target range will be appropriate" to slow inflation, though exactly how much is still being debated.
- ▶ The European Central Bank also continues to struggle to control inflation, hiking rates by 50 bps in July as overall inflation hit 8.60% in June. Rate hikes cannot mitigate, however, the inflationary pressure of high energy prices caused by the ongoing war in Ukraine, with the energy index rising by 41.6% in the U.S. and 39.7% in the EU on a yearly basis in June.
- ▶ As the federal funds rate rose, driving up U.S. interest rates, the U.S. Dollar Index (DXY) grew by 2.16% in June and another 0.72% in July. As the world's reserve currency, this has raised concerns globally, as approximately 40% of global trade is priced in USD and many developing countries issue debt in USD, raising the risk of defaults. The Euro slipped below parity with the dollar in mid-July, the weakest it has been since 2002.
- ▶ Despite rising interest rates, the pace of hiring unexpectedly surged last month, growing by 528,000 jobs in July, while the unemployment rate dropped to 3.5%, matching the pre-pandemic low. Wages also continued to grow, at 0.5% month-over-month, continuing to add to inflationary pressure. Looking forward, continuing unemployment claims for the week ending July 23, a leading indicator, increased by 48,000 to 1.42 million, pointing to some possible softening in the labor market. Still, nothing yet that would be equated to recession-like levels.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	9.22%	9.22%	-12.59%	-4.66%
Russell 3000	9.38%	9.38%	-13.71%	-7.37%
Russell 2000	10.44%	10.44%	-15.45%	-14.34%
Russell 1000	9.31%	9.31%	-13.59%	-6.89%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	3.42%	3.42%	-15.63%	-15.26%
MSCI EAFE	4.98%	4.98%	-15.56%	-14.32%
MSCI Emerging Markets	-0.25%	-0.25%	-17.83%	-20.09%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	2.44%	2.44%	-8.16%	-9.12%
Bloomberg Barclays Global Agg	2.13%	2.13%	-12.08%	-14.58%
Bloomberg Barclays U.S. HY	5.90%	5.90%	-9.12%	-8.02%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	9.06%	9.06%	-12.97%	-2.47%
Bloomberg Commodity	4.08%	4.08%	22.85%	26.54%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.5%	3.6%
Initial Jobless Claims (4 week average)	249.3 K	243 K
CB Leading Economic Indicators	-0.8	-0.6
Capacity Utilization	80.0%	80.3%
GDP (annual growth rate)	-0.9%	-1.6%
University of Michigan Consumer Confidence	51.5	50.0
New Home Starts	590 K	642 K
Existing Home Sales	5.1 MM	5.4 MM
Retail Sales (YoY)	10.6%	11.2%
U.S. Durable Goods (MoM)	1.9%	0.8%
Consumer Price Index (YoY)	9.1%	8.6%
Producer Price Index (MoM)	3.1%	1.7%
Developed International*	3/31/2022	12/31/2021
Market GDP (annual rate)	4.2%	5.0%
Market Unemployment	5.6%	5.8%



Source: Bloomberg. Data as of July 31, 2022, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of June 30, 2022 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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