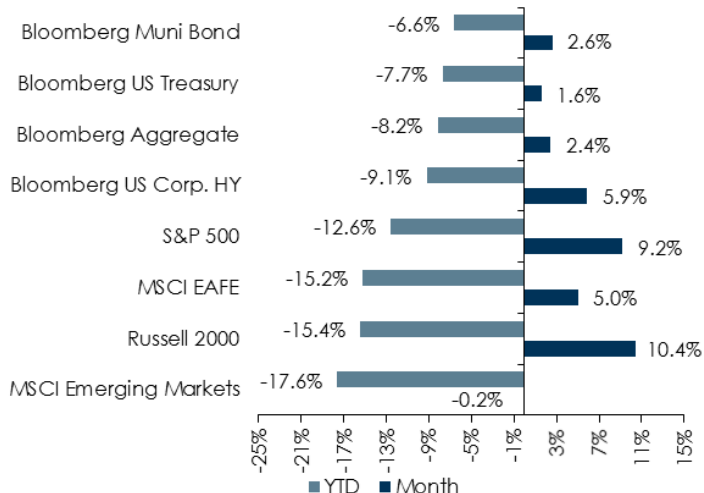


Economic Overview

- US GDP declined 0.9% in the second quarter after falling 1.6% in the first quarter, but not yet officially a recession
- US headline CPI surged 9.1%, prompting the Fed to raise short-term rates by 0.75%
- As short-term rates increased the 10-year yield declined, causing the yield curve (10-year – 2-year yield) to invert

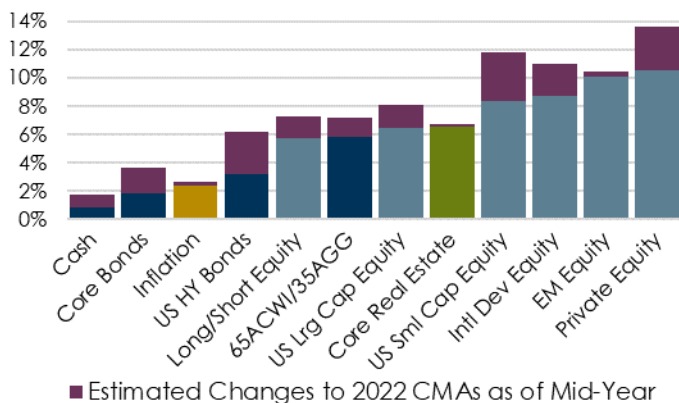
Market Returns

- Markets start to discount slower pace of Fed rate hikes
- Most risk assets rallied; emerging markets lagged



Source: Bloomberg, ACG Research (as of 7/31/2022)

Market Moves Y-T-D Enhance Future Return Potential



Asset Class Valuations

- Equities still favored over bonds
- Equity valuations favor US Small Caps
- Equities, H.Y. bonds, R.E. provide an inflation hedge

	Current Fwd P/E	Historical Avg P/E	Current Avg Ratio
S&P 500	17.5	15.8	1.1
R2000	19.5	22.6	0.9
MSCI EAFE	12.3	13.4	0.9
MSCI EM	11.0	11.6	0.9

	Current Yield	Historical Avg Yield	Current Avg Spread
3-month T-Bill	2.4%	4.1%	-1.8%
10-year UST	2.7%	6.0%	-3.4%
Bloomberg Agg	3.4%	6.3%	-2.9%
High Yield	7.7%	9.6%	-1.9%

ACWI EY / Agg Spread	2.6%	1.7%	1.0%
Core R.E.	3.9%	5.9%	-2.0%
Core Inflation	5.9%	3.6%	2.3%

Undervalued

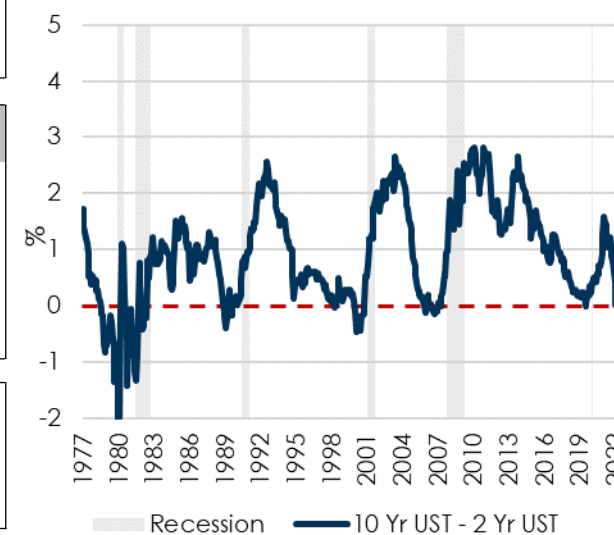
Fairly Valued

Overvalued

Key Risk Factors We Are Watching

- Inflation and pace of consumer spending
- Tightening financial conditions
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Coronavirus variants
- Regulatory policy shifts (US and China in particular)

Yield Curve Inverts; Often a Recession Predictor



Source: Bloomberg

Recent Articles (click on links below)

- [Real Estate in a Rising Rate Environment \(July\)](#)
- [Rates, Inflation, and US Dollar \(June\)](#)
- [Fixed Income Drawdown \(June\)](#)

Upcoming Articles / Webcasts

- Equity Long/Short Update

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