

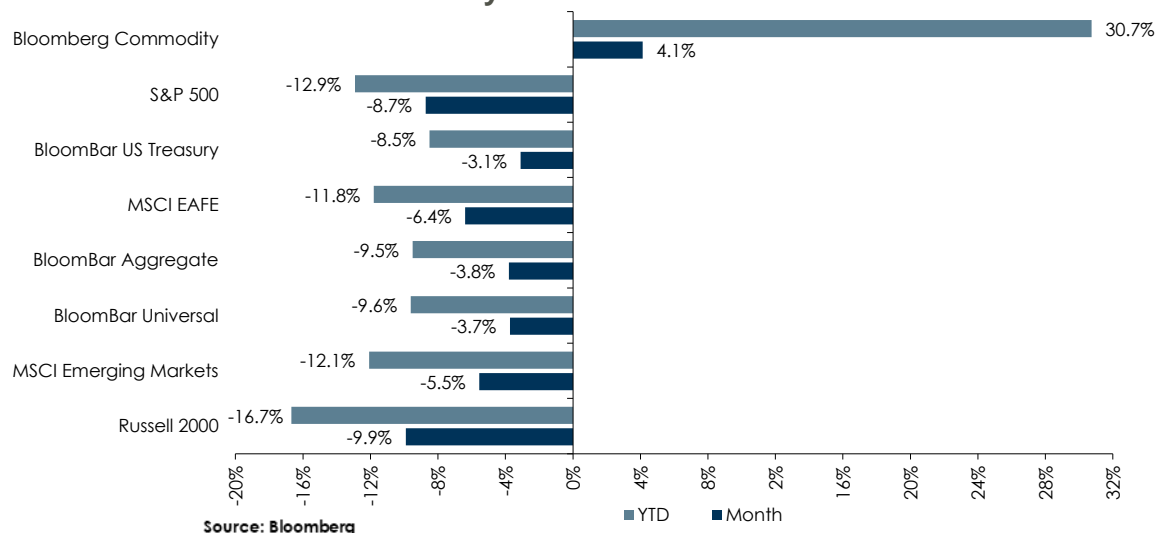
Global Economy

April continued the trend of volatility and negative returns in both equity and fixed income markets around the globe. Rates continued to rise on expectations of more aggressive central bank tightening while inflation, supply shocks stemming from the war in Ukraine, and Covid lockdowns in China weighed on equities. Headline inflation rose to its highest level since 1981 but core PCE inflation cooled slightly from last month in that figure's first decline since October 2020, giving some hope that inflation is peaking. US GDP fell at a -1.4% annualized rate, its first decline since the recession, driven mainly by a ballooning trade deficit. However indicators of domestic growth were solid with consumer spending rising despite escalating prices as savings accumulated during the pandemic supported household purchasing power. Supply disruptions remained the norm as Russia's latest response to Western sanctions saw natural gas deliveries to Poland and Bulgaria halted, sending prices higher and leaving market observers to speculate if other countries could be next. Still, growth has remained resilient as global purchasing managers' indices have surprised to the upside, boosted by an increase in services as Covid concerns decline. Disruptions seem likely to persist with world leaders increasingly positioning for a protracted conflict in Ukraine, and further restrictions of energy supply could risk sending Europe into recession.

Global Markets

- Global Equity** – Global equities fell in April with US Large Caps suffering their worst month since March 2020. Emerging Market equity was the best performing broad index and value outperformed growth, but returns were negative across regions and styles. Index level P/E multiples on forward earnings declined last month given negative returns, but the improvement was muted for non-US developed and emerging markets equity as forward earnings projections have weakened for non-US regions. Global growth remains supportive of equities overall, but the risk for additional downgrades to growth outlooks is elevated given the potential for further commodities market disruptions in Europe and Covid lockdowns in China.
- Global Fixed Income** – Fixed income indices had another difficult month in April as government yields climbed amid hawkish central bank messaging. The 10-Yr US Treasury yield soared another 59 bps in the month and the curve steepened as Chairman Powell gave indication that the Fed would raise rates by 50 bps at the May FOMC meeting, the first such hike since 2000. Credit spreads widened in the month with IG credit up 19 bps and High Yield 54 bps wider, though spreads still closed April at below average levels. Rising rates and wider spreads have sent core fixed income yields to their highest level since 2018, surpassing current 5- and 10-year inflation expectations. Volatility in rates and currency should provide enhanced opportunities for absolute return strategies, which can also offer downside protection. A cash allocation provides portfolio flexibility while rising front-end yields improve the asset's return potential.
- Global Real Assets & Private Markets** – Core real estate had another strong quarter in 1Q22, helping reach the highest annual return since 1980. All property sectors generated positive returns, but the industrial sector continues to propel the index. PE activity has slowed somewhat from its record breaking 2021 levels, but remains elevated relative to history as managers continue to deploy cash accumulated during the pandemic. The broad commodities index was again one of the few positive performing indices in the month, and is up over 30% YTD. CPI (+8.5%) and Core CPI (+6.5%) both rose from the prior month and continue to sit at multi-decade highs. Measures of future inflation expectations also rose with the 10-year inflation breakeven up 11 bps to 2.94%.

Key Market Indices



	Current	21-Dec
US GDP (%)	-1.40	2.30
US Unemployment (%) *	3.60	4.20
CPI (Core) (%)	6.50	4.90
Fed Funds (%)	0.25 – 0.50	0.00 – 0.25
10 Year UST Yld (%)	2.94	1.51
S&P 500 Div Yld (%)	1.51	1.27
S&P 500 P/E (Trailing)	21.09	26.21
Gold/oz.	\$ 1,911.70	\$ 1,828.60
Oil (Crude)	\$ 104.69	\$ 75.21
Gasoline (Nat'l Avg)	\$ 4.21	\$ 3.38
USD/Euro	\$ 1.05	\$ 1.14
USD/GBP	\$ 1.26	\$ 1.35
Yen/USD	¥129.7	¥115.08

* Data as of April 30, 2022

Source: Bloomberg

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