Carl Doerschler, AIF, CPFA, CMFC
Jill Ingersoll, AIF, CPFA
54870 N. Main Street
Mattawan, MI 49071
269-744-2004
269-744-4180

Doerschler & Associates
WEALTH MANAGEMENT

May 2022 Market Review

The Markets (as of market close May 31, 2022)

May was a volatile month for Wall Street. Stocks began May where April ended, with losses. In fact, it wasn't until the last week of May that stocks posted gains. Throughout the month, investors had to face the prospects of an economic slowdown impacted by accelerating inflation, rising interest rates, the ongoing war in Ukraine, and lukewarm corporate earnings reports. Despite suggestions from Federal Reserve Chair Jerome Powell that the central bank is not likely to raise interest rates by 75 basis points, stubbornly high inflation has set the Fed on a path of quantitative tightening and interest-rate advances that presents a risk to economic growth.

Crude oil prices gradually rose throughout the month, only to surge on the last day of May after the European Union imposed an immediate ban on two-thirds of all Russian oil imports in a further response to its invasion of Ukraine. Crude oil prices advanced over 10.0% to nearly $115.00 per barrel. Gas prices also continued to increase in May, reaching record highs along the way. The national average retail price for regular gasoline was $4.59 per gallon on May 23, up from $4.12 on April 25 and $1.57 over a year ago. Analysts suggest that gas prices are likely to continue to increase with rising crude oil prices, the impact of the ongoing Russia/Ukraine war, and demand exceeding refinery output.

First-quarter gross domestic product contracted at an annualized rate of 1.5% (see below) after increasing nearly 7.0% to end 2021. Nevertheless, there were some positive signs in May. Consumer spending continued to increase and some high-end retail earnings reports gave investors a reason to believe the economy could weather the storm.

A late-month rally helped push some of the benchmark indexes higher to close May in the black. The Dow, the S&P 500, the Russell 2000, and the Global Dow each finished ahead of their respective April closing values. While tech shares rebounded somewhat at the end of the month, the Nasdaq still closed May in the red.

Ten-year Treasury yields ended the month about where they began. Gold prices decreased nearly 3.0% in May. The U.S. dollar road the ebbs and flows of the stock market and bond prices, ultimately ending the month lower than it started.

Key Dates/Data Releases

6/1: Markit Manufacturing PMI, JOLTS

6/3: Employment situation, Markit Services PMI

6/7: International trade in goods and services

6/10: Consumer Price Index, Treasury budget statement

6/13: Import and export prices, retail sales, FOMC meeting statement

6/14: Producer Price Index

6/16: Housing starts

6/17: Industrial production

6/21: Existing home sales

6/24: New home sales

6/27: Durable goods orders

6/28: International trade in goods

6/29: GDP

6/30: Personal income and outlays

Stock Market Indexes

Market/Index	2021 Close	Prior Month	As of May 31	Monthly Change	YTD Change
DJIA	36,338.30	32,977.21	32,990.12	0.04%	-9.21%
Nasdaq	15,644.97	12,334.64	12,081.39	-2.05%	-22.78%
S&P 500	4,766.18	4,131.93	4,132.15	0.01%	-13.30%
Russell 2000	2,245.31	1,862.16	1,872.55	0.56%	-16.60%
Global Dow	4,137.63	3,815.07	3,901.99	2.28%	-5.70%
Fed. Funds target rate	0.00%-0.25%	0.25%-0.50%	0.75%-1.00%	50 bps	75 bps
10-year Treasuries	1.51%	2.88%	2.84%	-4 bps	133 bps
US Dollar-DXY	95.64	103.17	101.80	-1.33%	6.44%
Crude Oil-CL=F	$75.44	$104.07	$114.90	10.41%	52.31%
Gold-GC=F	$1,830.30	$1,897.90	$1,839.40	-3.08%	0.50%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark the performance of specific investments.

Latest Economic Reports

- **Employment:** Employment rose by 428,000 in April, about the same increase as in March. Notable job gains occurred in leisure and hospitality, in manufacturing, and in transportation and warehousing. However, employment is down by 1.2 million, or 0.8%, from its pre-pandemic level in February 2020. In April, the unemployment rate remained at 3.6%. The number of unemployed persons remained relatively unchanged at 5.9 million. These measures are little different from their pre-pandemic values in February 2020 (3.5% and 5.7 million, respectively). Among the unemployed, the number of workers who permanently lost their jobs remained at 1.4 million in April. Also in April, the number of persons who were unable to work because their employer closed or lost business due to the pandemic fell to 1.7 million — down from 2.5 million in the previous month. The labor-force participation rate decreased 0.2 percentage point to 62.2% in April. The employment-population ratio fell by 0.1 percentage point to 60.0%. In April, average hourly earnings rose by $0.10, or 0.3%, to $31.85. Over the last 12 months, average hourly earnings rose by 5.5%. The average work week was unchanged at 34.6 hours in April.
- There were 210,000 initial claims for unemployment insurance for the week ended May 21, up from a month earlier when there were approximately 180,000 new claims filed. As of May 14, there were 1,346,000 total claims for unemployment benefits. A year ago, there were 3,618,000 total claims for unemployment insurance benefits.
- **FOMC/interest rates:** The Federal Open Market Committee met at the beginning of May, and in a move specifically directed at tempering rising inflationary pressures, the Committee increased the federal funds target range by 50 basis points. The FOMC also decided to begin reducing its balance sheet starting June 1 until the size can "maintain securities holdings in amounts needed to implement monetary policy efficiently and effectively in its ample reserves regime."
- **GDP/budget:** Gross domestic product contracted at an annualized rate of -1.5% in the first quarter of 2022 compared with a 6.9% advance in the fourth quarter of 2021. The decrease in GDP primarily reflected decreases in private inventory investment, exports, federal government spending, and state and local government spending; while imports, which are a subtraction in the calculation of GDP, increased. Personal consumption expenditures (3.1%), nonresidential fixed investment (9.2%), and residential fixed investment (0.4%) increased. Spending on goods was unchanged, while spending on services climbed 4.8%. The personal consumption price index, a measure of inflation, increased 7.0% in the first quarter after advancing 6.4% in the fourth quarter. Imports increased 18.3% in the first quarter, while exports fell 5.4%.
- There was a surplus of $308.2 billion in the April Treasury budget deficit, in sharp contrast to the $225.6 billion deficit in April 2021. Through the first seven months of fiscal year 2022, the deficit sits at $360.0 billion, 81.0% lower than the deficit over the same period in fiscal year 2021. So far in this fiscal year, government expenditures are down 18.0%, while receipts are up 39.0%. Individual income tax receipts have risen 69.0% and corporate income tax receipts have increased 22.0% compared to April 2021.
- **Inflation/consumer spending:** According to the latest Personal Income and Outlays report for April,

personal income increased 0.4% and disposable personal income rose 0.3% after rising 0.5% and 0.4%, respectively, in March. Consumer spending increased 0.9% following a 1.4% jump in March. Consumer prices rose 0.2% in April after advancing 0.9% the previous month. Consumer prices have risen 6.3% since April 2021. Year over year, energy prices vaulted 30.4%, while food prices increased 10.0%.

- The Consumer Price Index increased 0.3% in April after climbing 1.2% the previous month. Increases in the indexes for shelter, food, airline fares, and new vehicles were the largest contributors to the April CPI increase. Food prices rose 0.9% in April after advancing 1.0% in March, for a 12-month increase of 9.4%, the largest year-over-year gain since April 1981. The gasoline index fell 6.1% in April but is up 43.6% since April 2021. The CPI has risen 8.3% over the last 12 months, a slight decrease from the 8.5% March figure.
- Prices that producers receive for goods and services jumped 0.5% in April following a 1.6% increase in March. Producer prices have increased 11.0% since April 2021. Prices less foods, energy, and trade services increased 0.6% in April after climbing 0.9% the previous month. For the year, prices less foods, energy, and trade services moved up 6.9%. In April, prices for goods jumped 1.3%, while prices for services were unchanged after increasing 1.2% in March. In April, producer prices for foods rose 1.5% and energy prices increased 1.7%.
- **Housing:** Sales of existing homes declined for the third consecutive month, falling 2.4% in April after dropping 2.7% in March. Year over year, existing home sales were 5.9% under the April 2021 estimate. According to the latest survey from the National Association of Realtors®, home shoppers are feeling the effects of rising mortgage rates and higher home prices. The median existing-home price was $391,200 in April, up from $374,800 in March and 14.8% more than April 2021 ($347,100). Unsold inventory of existing homes represents a 2.2-month supply at the current sales pace. Sales of existing single-family homes also fell in April, down 2.5% after dropping 2.7% in March. Since April 2021, sales of existing single-family homes have fallen 4.8%. The median existing single-family home price was $397,600 in April, up from $381,300 in March.
- Sales of new single-family homes fell 16.6% in April after decreasing 11.7% (revised) in March. The median sales price of new single-family houses sold in April was $450,600 ($435,000 in March). The April average sales price was $570,300 ($522,500 in March). The inventory of new single-family homes for sale in April represented a supply of 8.3 months at the current sales pace, up from March's 5.9-month supply. Sales of new single-family homes in April were 26.9% below the April 2021 estimate.
- **Manufacturing:** Industrial production increased 1.1% in April following a 0.9% jump in March. The April increase marks the fourth consecutive month of gains of at least 0.8%. All three major industry groups advanced in April. Manufacturing rose 0.8%, mining increased 1.6%, and utilities climbed 2.4%. Total industrial production in April was 6.4% higher than it was a year earlier. Since April 2021, manufacturing has risen 5.8%, mining has jumped 8.6%, and utilities increased 7.5%.
- April saw new orders for durable goods increase 0.4% following a 0.6% March increase. A 0.6% increase in transportation equipment led the April increase in new orders. Excluding transportation, new orders rose 0.3% in April. Excluding defense, new orders increased 0.3%. In addition to the increase in transportation equipment, areas that contributed to the overall April increase in new durable goods orders included primary metals (0.6%), machinery (1.0%), and nondefense aircraft and parts (4.3%). New orders for nondefense capital goods increased 0.4% in April, while new orders for defense capital goods rose 2.5%. Since April 2021, new orders for durable goods have increased 10.5%.
- **Imports and exports:** Both import and export price inflation slowed in April. Import prices were unchanged in April after increasing 2.9% in March, according to the U.S. Bureau of Labor Statistics. Import prices have advanced 12.0% since April 2021. Import fuel prices declined 2.4% in April, the first monthly decrease since December 2021. Prices for nonfuel imports increased 0.4% in April and have not recorded a monthly decrease since November 2020. Prices for exports advanced 0.6% in April following a 4.1% increase the previous month. Export prices rose 18.0% over the past year.
- The international trade in goods deficit was $105.9 billion in April, down $20.0 billion, or 15.9%, from March. Exports of goods for April were $173.9 billion, $5.2 billion more than March exports. Imports of goods for April were $279.9 billion, $14.8 billion less than March imports. The decrease in imports was largely driven by a drop in industrial supplies, capital goods, consumer goods, and other goods, while the increase in exports was tied to a 13.3% increase in foods, feeds, and beverages.
- The latest information on international trade in goods and services, released May 4, is for March and shows that the goods and services trade deficit increased $20.0 billion, or 22.3%, from $89.8 billion the previous month. March exports were $241.7 billion, 5.6% above the February estimate. March imports were $351.5 billion, 10.3% more than February imports. Year over year, the goods and services deficit increased $84.8 billion, or 41.5%, from the same period in 2021. Exports increased 17.7%. Imports increased 23.8%.
- **International markets:** Several European Union leaders pledged to cut oil purchases from Russia,

which sent crude oil prices higher. Eurozone inflation reached an annualized rate of 8.1% in May, impacted by the Russia/Ukraine war and corresponding sanctions imposed by European governments. The potential of an economic slowdown in China and supply-chain disruptions due to the pandemic and the aforementioned war weighed on investors. China's economy declined for the third consecutive month in May, although at a slower pace than in April, as COVID restrictions began to ease. Overall, for the markets in May, the STOXX Europe 600 Index dipped 0.4%. The United Kingdom's FTSE rose 0.8%. Japan's Nikkei 225 Index climbed 1.7%, while China's Shanghai Composite Index increased 4.6%.

- **Consumer confidence:** The Conference Board Consumer Confidence Index® decreased slightly in May. The index stands at 106.4 in May, down from 108.6 in April. The Present Situation Index, based on consumers' assessment of current business and labor market conditions, decreased to 149.6 in May, down from 152.9 in April. The Expectations Index, based on consumers' short-term outlook for income, business, and labor market conditions, inched lower to 77.5 in May from 79.0 in April.

Eye on the Month Ahead

The Federal Open Market Committee meets in June and will almost certainly increase the federal funds target interest rate another 50 basis points, following a similar measure the last time the Committee met in May. Several economic indicators in April began to show that the economy may be slowing. The May data, available in June, will likely continue this trend.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

File # 4785476.1