

FIRST HALF REVIEW - 2022

AUGUST 2022

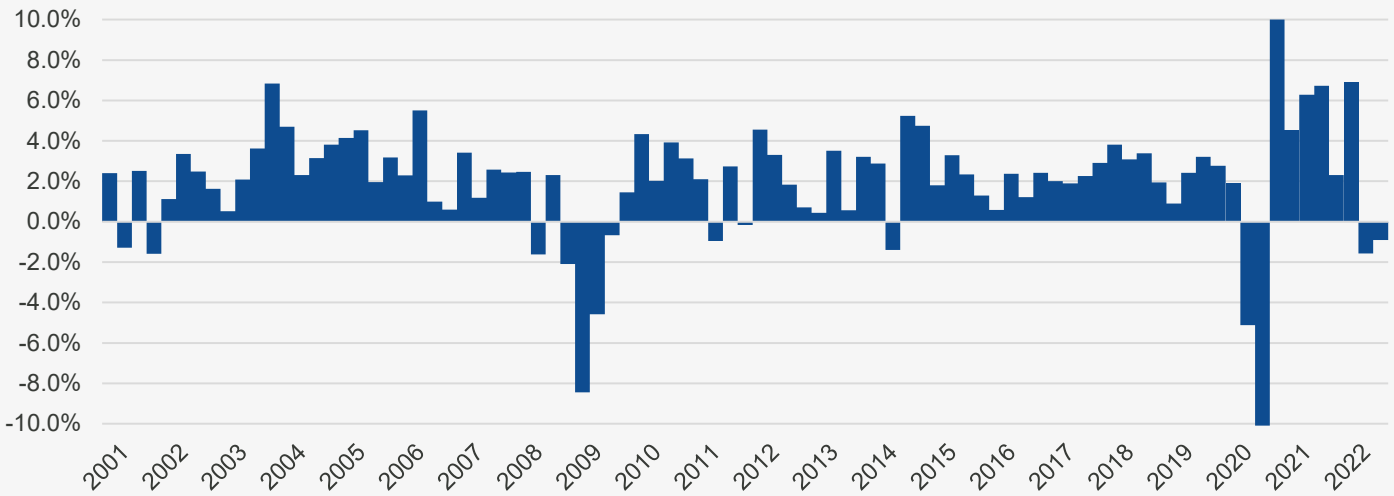


The U.S. economy shrank during the first half of the year as measured by the Gross Domestic Product (GDP). Historically, two consecutive quarters of declining GDP has been a key component of a recession. Given that recessions are called after analyzing multiple factors, it is too early to say that the U.S. is “officially” in a recession.

U.S. GDP GROWTH:

The U.S. economy, as measured by GDP, decreased by 1.6% during the 1st quarter and 0.9% during the 2nd quarter of the year. Current estimates for the balance of the year call for growth but at a reduced rate.

Quarterly Real GDP Growth: 2000-2022

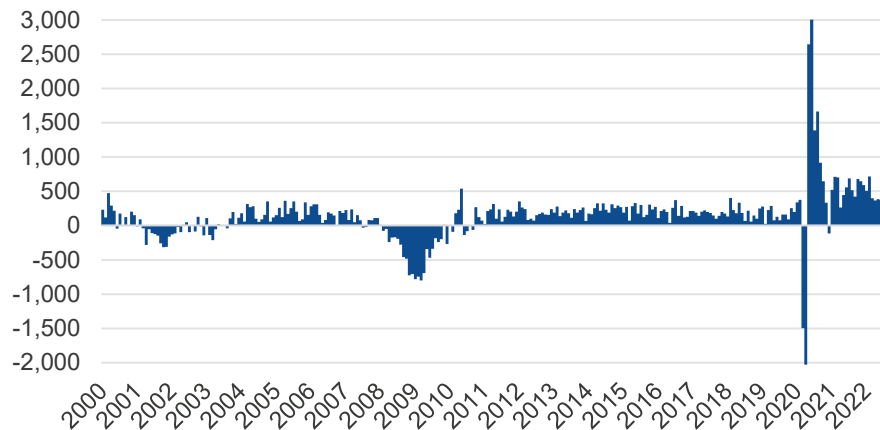


[1]

EMPLOYMENT:

The U.S. added 2.7 million jobs during the first half of the year. During the 2020 COVID shutdowns, the U.S. economy shed over 22 million jobs. Since then, we have recovered 21.5 million leaving 500,000 people without a job compared to February, 2020.

Monthly Change in Nonfarm Payrolls (thousands): 2000-2022



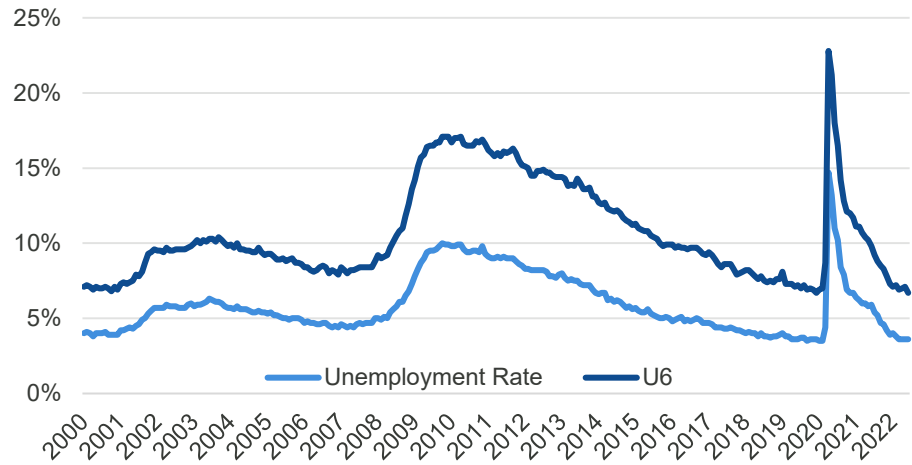
[2]

EMPLOYMENT:

The unemployment rate had dropped to 3.5% in February, 2020 then spiked to 14.7% due to the Covid shutdown, before dropping to 3.6% by June 30, 2022. The U6 unemployment rate, which includes those working part time but wanting full time plus those who have given up looking for work, is 6.7% at June 30, 2022.

There are currently 11.5 million job openings compared to 6 million unemployed persons. Matching skill sets of the unemployed to job openings continues to be a large factor in bringing more people back to work.

Unemployment Rate & U6 Unemployment: 2000-2022

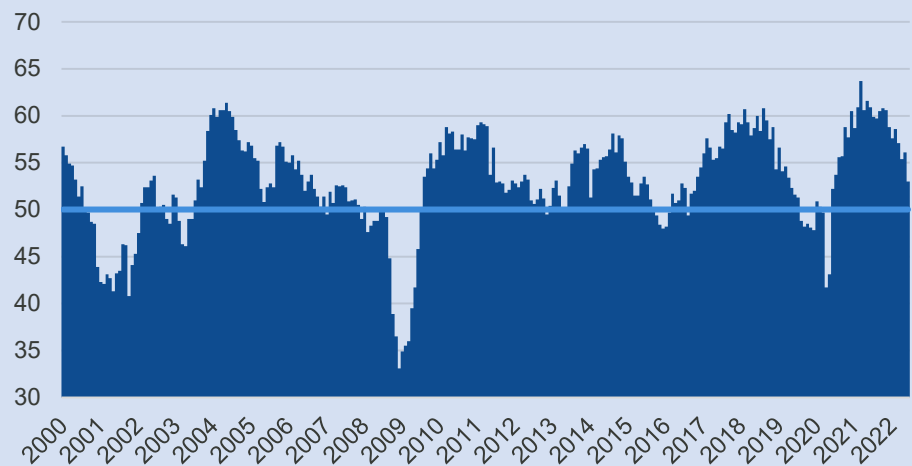


[3]

MANUFACTURING:

The manufacturing PMI (Purchasing Manager Index) has remained above 50 for the first half of the year. When the index is above 50, it signals an expansion in the manufacturing sector, while a reading below 50 indicates a contraction.

Purchasing Manager's Index (PMI): 2000-2022

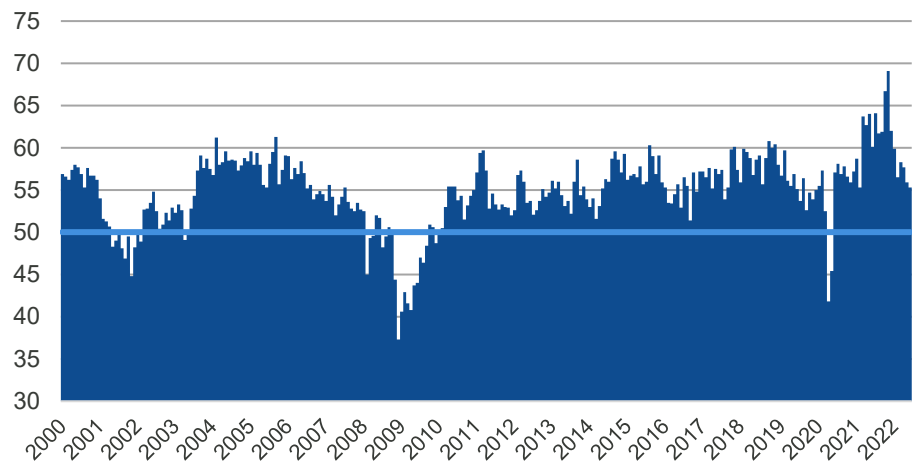


[4]

SERVICES:

The non-manufacturing PMI tracks the service sector portion of the economy, which accounts for over 70% of the U.S. GDP. This index has also remained above 50 for the first six months.

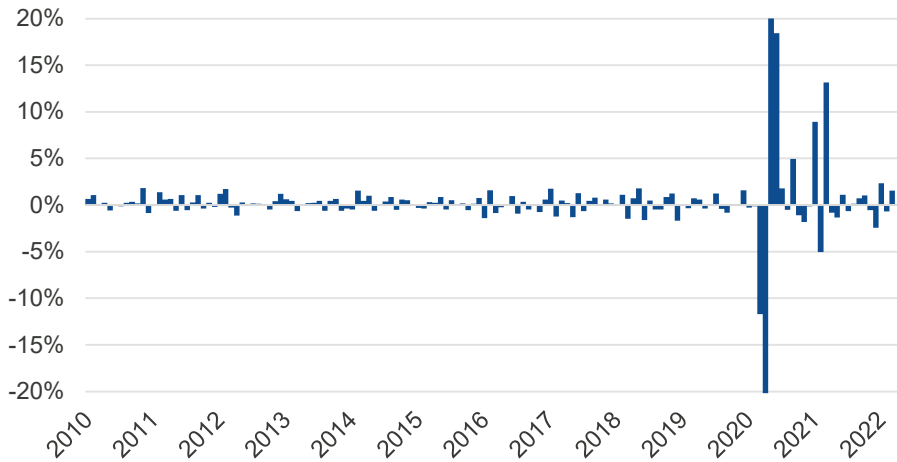
Non-Manufacturing Purchasing Manager's Index (PMI): 2000-2022



[5]

RETAIL:

Month over Month Change in Sales: 2010-2022
General Merchandise, Apparel, Furniture, & Other



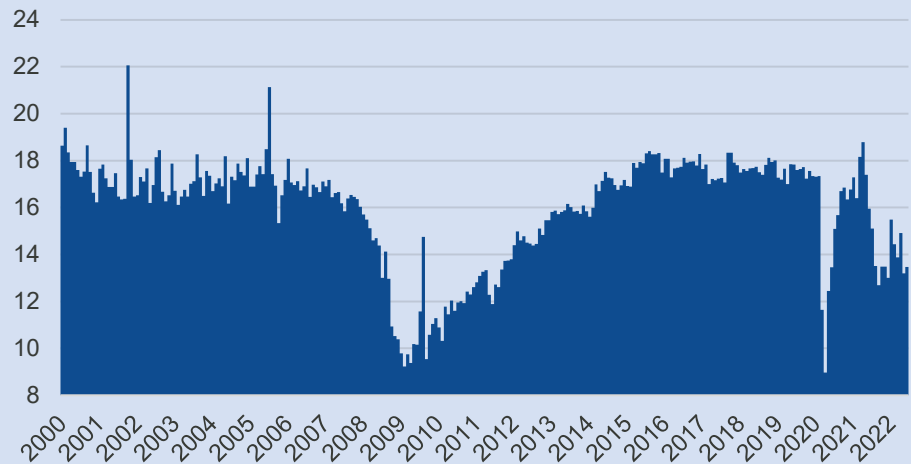
Sales of general merchandise are up 3% year over year. This data excludes sales of groceries, food products and gas which make up an increasing amount of household spending.

[6]

AUTOMOBILES:

Total Vehicle Sales (millions): 2000-2022

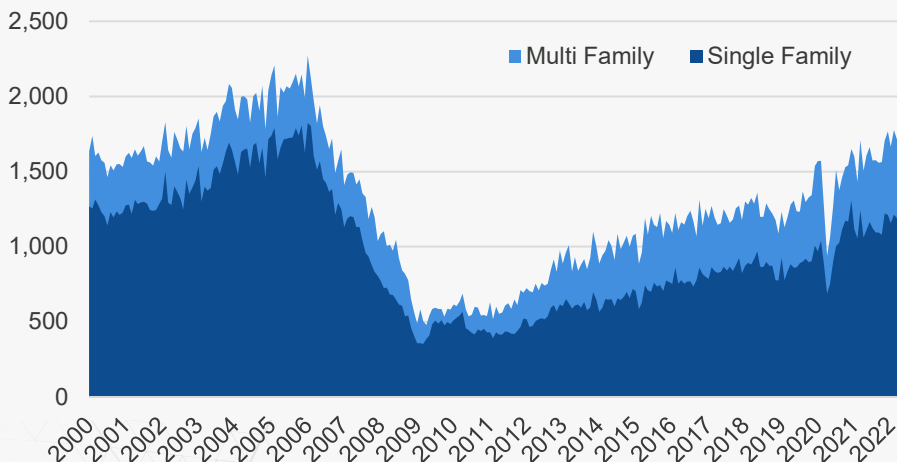
Sales of cars and light trucks have slowed, as annual sales have averaged only 14 million for the first six months of the year. Deliveries have been impacted by the lack of availability of microchips which are used in almost all vehicles.



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NEW HOME CONSTRUCTION STARTS:

New Private Housing Starts (thousands): 2000-2022



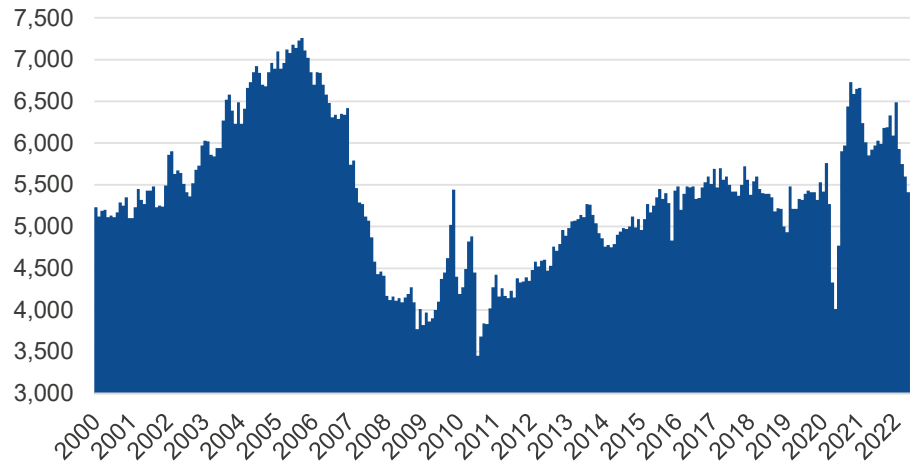
New home sales have exceeded an annual pace of 1.7 million for the first five months of the year (June data not yet available). Analysts tell us there is still a shortage of more than 5 million homes.

[8]

SALES OF EXISTING HOMES:

Sales of existing homes dropped from a January pace of 6.4 million homes to May's pace of 5.4 million (June data not yet available). Interest rates are a big factor in home sales.

Existing Home Sales (thousands): 2000-2022

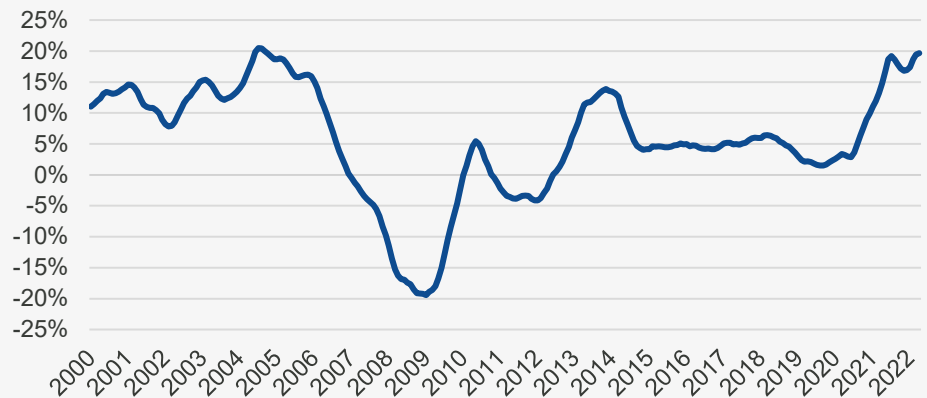


[9]

PRICE OF HOMES:

Home prices continue to rise. The average price of a home increased by double digits for the 17th consecutive month. The average price of a home in May, 2022 (latest month available) is up 20% from a year earlier.

Case-Shiller Home Price Index Year over Year Change: 2000-2022



[10]

MORTGAGE RATES:

The interest rate on a 30-year mortgage started the year at 3.11% and has steadily increased to 5.7% as of June 30. For every \$100,000 borrowed that difference equates to an increase of \$152 per month and \$54,720 over the life of the loan.

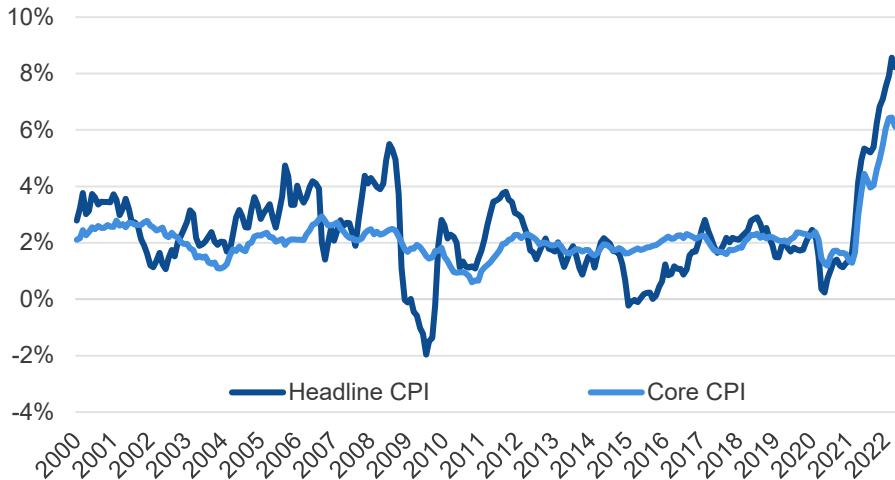
30 Year Fixed Rate Mortgage: 2000-2022



[11]

INFLATION

Year over Year Change in CPI: 2000-2022



Inflation has become the biggest concern to the economy during the first half of the year. The annual rate of inflation was 1.28% in December, 2020 and has risen to 9.1% in June, 2022. The rise has been swift and steep. Economists have stopped talking about it being transitory and have begun to acknowledge it will be with us for a while. There is much debate on whether it has peaked, but most agree we will settle in at a much higher rate than we had 18 months ago.

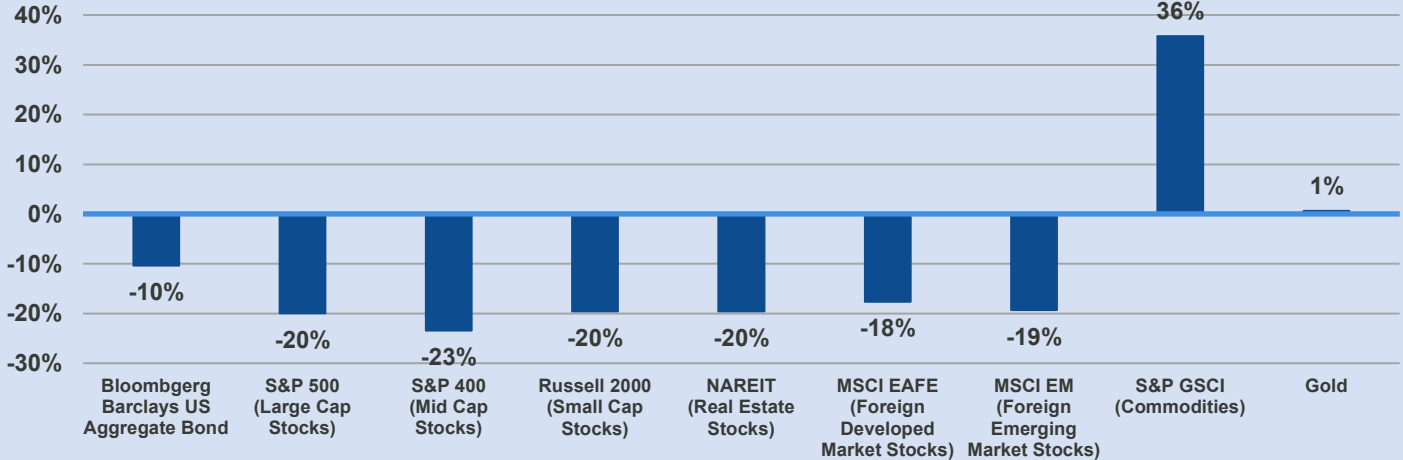
[12]

THE MARKETS:

The U.S. stock market officially entered bear territory (a drop of 20%) during the first half of the year. Overseas markets reacted similar. The usual case of bonds rising when stocks fall did not happen, as rising interest rates caused U.S. bonds to fall 10% during the period.

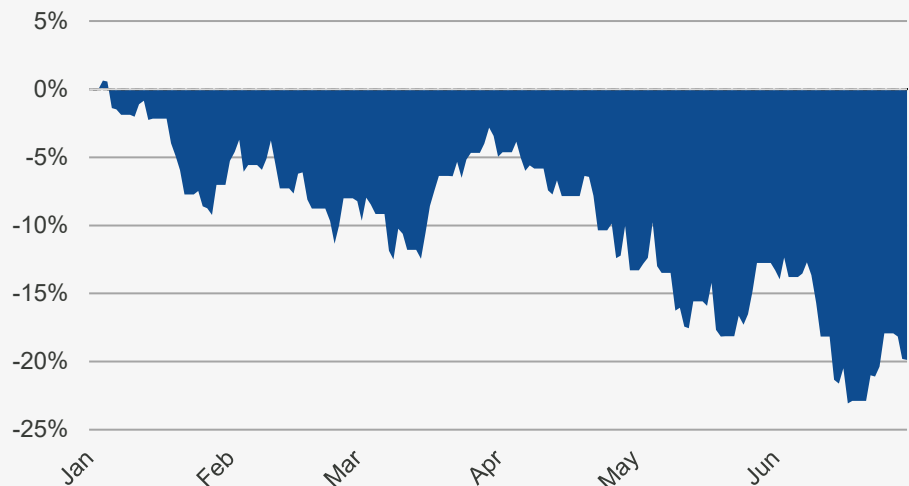
Returns for major indices during the first half of the year:

Select Market Total Returns Year to Date through June 30, 2022



[13]

S&P 500 Price Return: YTD through June 30, 2022



The S&P 500 (U.S. Large Cap Stock Market – price only) spent two days in positive territory before being negative the balance of the period.

[14]

THE MARKETS:

The markets tend to be forward thinking. The Federal Reserve Board is raising rates to combat inflation. We continue to keep our eyes on corporate earnings which will indicate how companies are reacting to changes in consumer habits. With unemployment low and job openings plentiful, the consumer has money to spend.

CONCLUSION:

Our clients have been rewarded for staying the course during volatile times. Our team understands and analyzes their risk tolerance, how it relates to their asset allocation and how we can properly select specific securities for the long run to meet both their current needs as well as their longer-term goals. Our strategies include segregating cash needs from equities which allows us to fund client withdrawals without selling at low points in the market. We may not know what the market will do in the short run, but we are prepared for what the markets give and can adjust as the need arises. If you would like to talk further, please feel free to reach out to one of us.

We appreciate the trust our clients place in us and strive to help them in all of their financial matters. If you know of someone who could benefit from our services, please let us know. We look forward to the remainder of the year!



REFERENCES

- [1] Information obtained from Morningstar Direct: "FRED, Real Gross Domestic Product, Seasonally Adjusted Annual Rate , U.S. Bureau of Labor Statistics, Billions of Chained 2009 Dollars"
- [2] Information obtained from Morningstar Direct: ""FRED, All Employees: Total Nonfarm Payrolls, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Thousands of Persons"& from Federal Reserves Bank of St. Louis: "Initial Claims, Number, Weekly, Seasonally Adjusted"
- [3] Information obtained from Morningstar Direct: "FRED, Civilian Unemployment Rate, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Percent" & http://portalseven.com/employment/unemployment_rate_u6.jsp?fromYear=1994&toYear=2022
- [4] Information obtained from the Institute of Supply Management, accessed at <https://www.quandl.com>
- [5] Information obtained from the Institute of Supply Management, accessed at <https://www.quandl.com>
- [6] Information obtained from the U.S. Census Bureau: "Monthly Retail Trade and Food Services, Seasonally Adjusted Sales - Monthly [Millions of Dollars]"
- [7] Information obtained from Morningstar Direct: "FRED, Total Vehicle Sales, Seasonally Adjusted Annual Rate , U.S. Bureau of Economic Analysis, Millions of Units"
- [8] Information obtained from Morningstar Direct: "FRED, Housing Starts: Total: New Privately Owned Housing Units Started, Seasonally Adjusted Annual Rate , U.S. Bureau of the Census, Thousands of Units" & "FRED, Privately Owned Housing Starts: 1-Unit Structures, Seasonally Adjusted Annual Rate , U.S. Bureau of the Census, Thousands of Units"
- [9] Information obtained from Morningstar Direct: "FRED, Existing Home Sales, Seasonally Adjusted Annual Rate , National Association of Realtors, Number of Units"
- [10] Information obtained from Federal Reserve Bank of St. Louis: "S&P/Case-Shiller 10-City Composite Home Price Index, Index Jan 2000=100, Monthly, Not Seasonally Adjusted"
- [11] Information obtained from Federal Reserves Bank of St. Louis: "30-Year Fixed Rate Mortgage Average in the United States®, Percent, Weekly, Not Seasonally Adjusted"
- [12] Information obtained from Morningstar Direct: "FRED, Consumer Price Index for All Urban Consumers: All Items Less Food and Energy, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Index 1982-1984=100" & "FRED, Consumer Price Index for All Urban Consumers: All Items, Seasonally Adjusted , U.S. Bureau of Labor Statistics, Index 1982-1984=100"
- [13] Information obtained from Morningstar Direct: Various Market Returns through June 30, 2022
- [14] Information obtained from Morningstar Direct: S&P 500 Price through June 30, 2022