

## Weekly Update – August 29, 2022

Market Returns Ending 8/26/2022			
Category	1 Week	QTD	YTD
<u>US</u>			
Large Cap	-4.0%	11.0%	-14.0%
Mid Cap Growth	-3.6%	17.1%	-23.2%
Mid Cap Value	-3.1%	10.3%	-9.6%
<u>International</u>			
Developed	-1.1%	3.2%	-16.7%
Emerging	0.2%	0.9%	-16.5%
<u>Bonds</u>			
Aggregate	-0.3%	1.7%	-10.0%
High Yield	-0.8%	4.3%	-9.5%

**Key Events:** Fed Governor Powell reaffirms the commitment to fighting inflation

The main event this week was Federal Reserve Governor Powell's speech on Friday. He drove home his commitment to fighting inflation by pointing out three lessons from the 1970s and 1980s:

1. The Fed *can* and *should* deliver low and stable inflation.
2. Inflation expectations about future inflation play a big role in actual inflation. Worries about inflation tend to self-reinforcing.
3. Finish the job. The Fed won't stop fighting inflation.

**Market Review:** The US stock market was relatively tame until Friday's speech.

Stocks were down slightly for the week going into Governor Powell's speech but ended the day down 3.4%, bringing the week's losses to 4%.

Of note, international stocks performed much better than last week; emerging markets stocks actually registered slight gains. The bond market digested the likelihood of higher rates, causing riskier high-yield bonds to underperform as recession fears regained some footing.

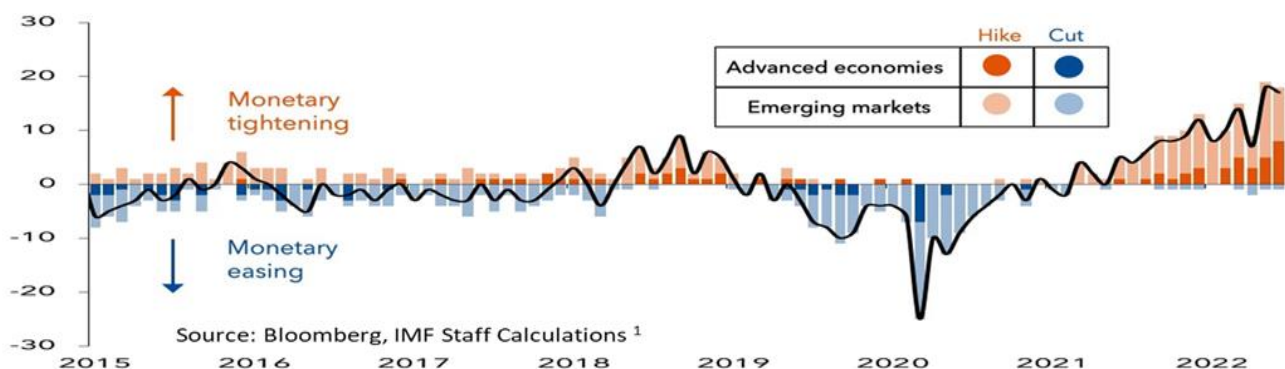
**Outlook:** Inflation, recession, and 'soft landings'

The market continues to digest the outlook for inflation and recession. As can be seen in the chart below, most central banks are in an inflation fighting mode, tightening policy. With the Fed committed to controlling inflation "no matter what the cost," the potential for a soft landing in America—slowing growth without a full-blown recession—seems like a smaller bullseye this week than before.

We continue to recommend that a fully diversified portfolio gives you the best chance to hit your target.

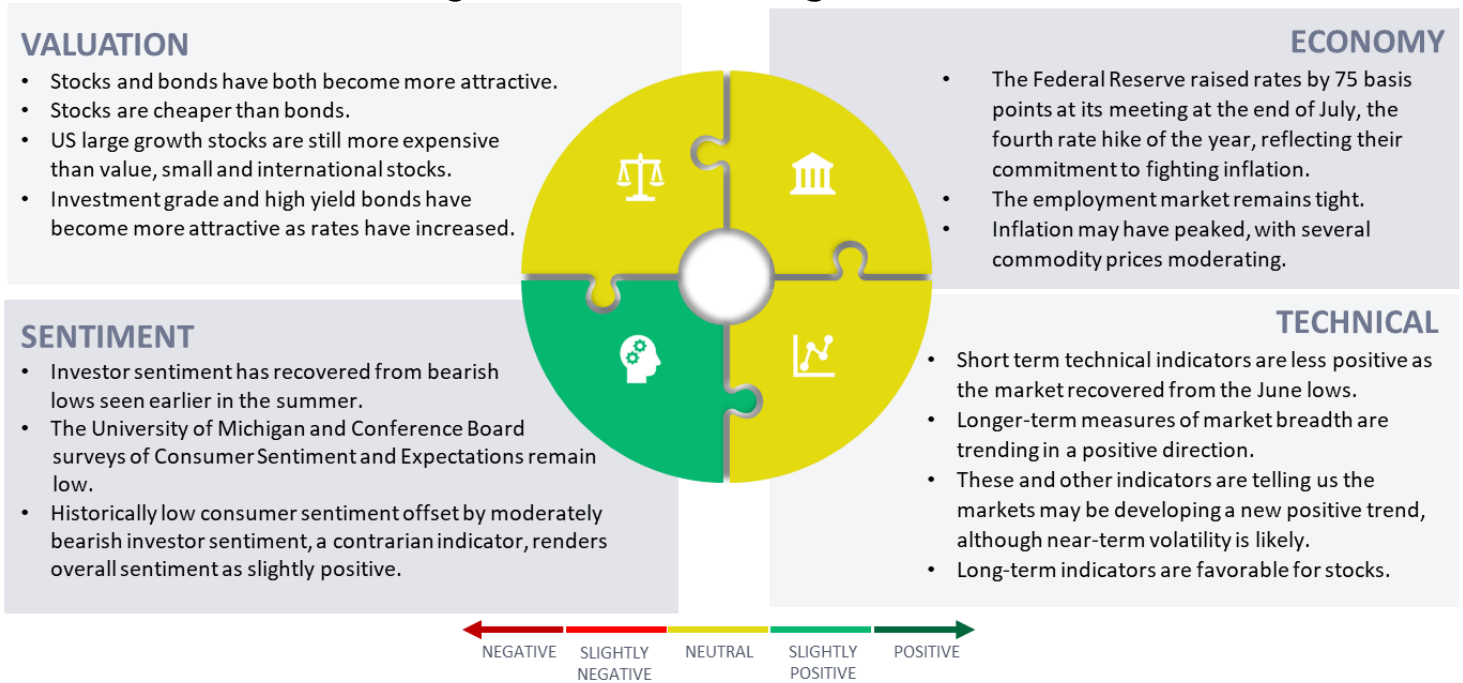
US Equity Style Returns			
<u>1 Week</u>			
	Value	Core	Growth
Large	-3.2	-3.9	-4.6
Mid	-3.1	-3.3	-3.6
Small	-3.3	-2.9	-2.6
<u>YTD</u>			
	Value	Core	Growth
Large	-7.8	-14.8	-21.0
Mid	-9.6	-14.4	-23.2
Small	-9.4	-14.7	-20.1

Source: Bloomberg



1) Note: The AE sample consists of Australia, Canada, Czech Republic, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom, the United States, and the countries in the European Union (under ECB jurisdiction). The EM sample consist of Brazil, Chile, Columbia, Mexico, Pero, India, Indonesia, Malaysia, Philippines, Thailand, Hungary, Poland, Romania, South Africa, Turkey, Pakistan, Croatia, Russia, Ukraine, Egypt, and Ghana

## Navigator Outlook: August 26, 2022



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