



# **THE CONCORD ADVISORY GROUP, LTD.**

*Institutional Investment Consulting Services*

## ***JULY 2022 MARKET HIGHLIGHTS***

***“PHYSICS ENVY”***

# THE CONCORD ADVISORY GROUP, LTD: JULY 2022 MARKET HIGHLIGHTS

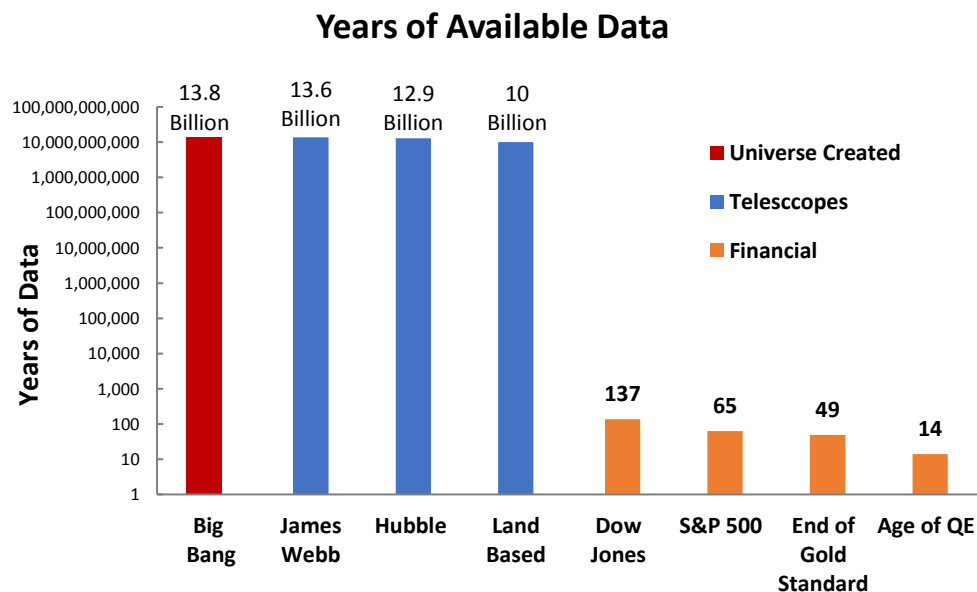
## COMMENTARY: “PHYSICS ENVY”

The light we see from space is from the past, and the further out we can peer into space, the farther we can look back in time. The newest and most powerful tool, the James Webb Space Telescope (JWST) should be able to view infrared light from objects 13.6 billion light years away as they were that many years ago, which is just a couple of hundred million years after the big bang.

Physics envy is the jealousy experienced by researchers in “soft sciences,” such as economics, due to the inability to match the prediction precision of physicists. When an astrophysicist calculates the orbit of a celestial body, there is a high level of precision and certainty around the prediction. When an economist makes a prediction, the level of uncertainty is much higher. While astrophysicists are studying JWST’s images from close to creation of the universe, economists are debating whether two quarters of negative GDP growth is a recession. Shouldn’t economists know the definition of a recession, and be able to tell in real-time if the economy is expanding or contracting?

Backtracking a little, it is not entirely fair to compare economics and physics, because while the laws of gravity are constant, the laws of finance are not. The data sets from which financial analysts and economists draw are too short and undergo too many transformational changes to express predictions with certainty (see chart). For example, today’s high inflation rates remind people of the late 1970’s / early 1980’s. However, since 1980 we have seen the adoption of computers, the creation of the internet, the end of the cold war, massive government deficits, two generations (X&Y), Covid, and QE - all of which make today much different than then.

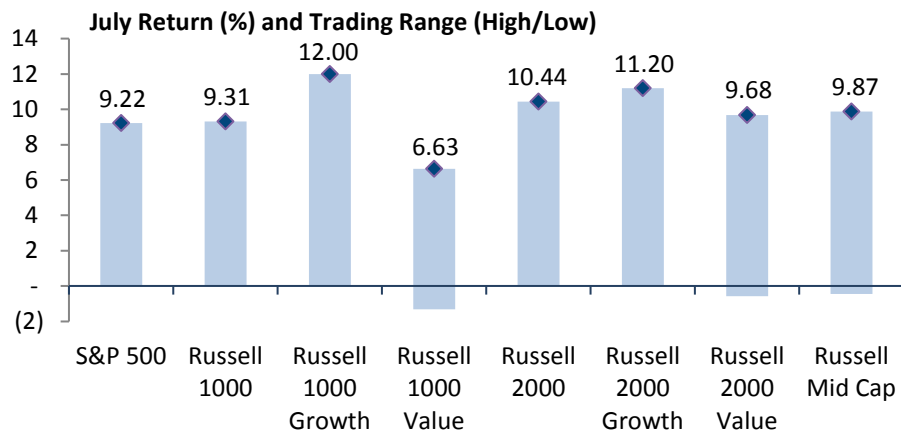
Judgement, experience, and humility are becoming increasingly important. Investors need to use the historic financial data to frame expectations, but also must use judgement to understand the shortcomings of it. Experience and humility say that the calculated confidence intervals around future predictions made in the finance industry may not be wide enough. The silver lining to economic and finance being less precise than physics is that if markets were more predictable and, therefore, less risky, then the returns investors earn would be lower.



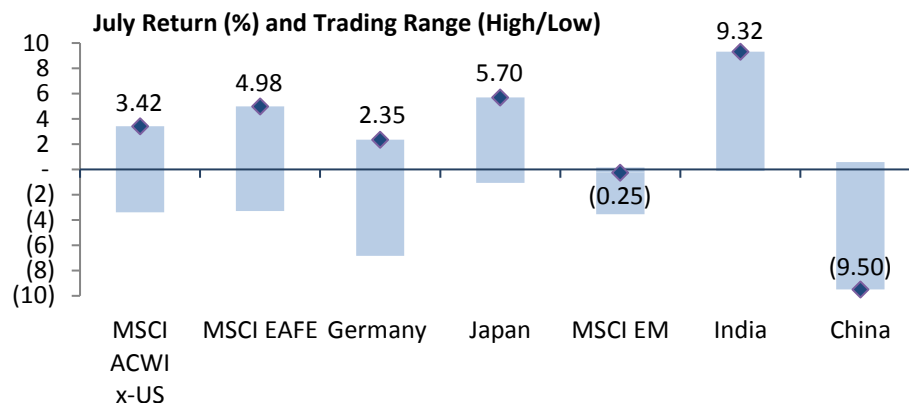
# THE CONCORD ADVISORY GROUP, LTD: JUNE 2022 MARKET HIGHLIGHTS

## MONTHLY CHARTS

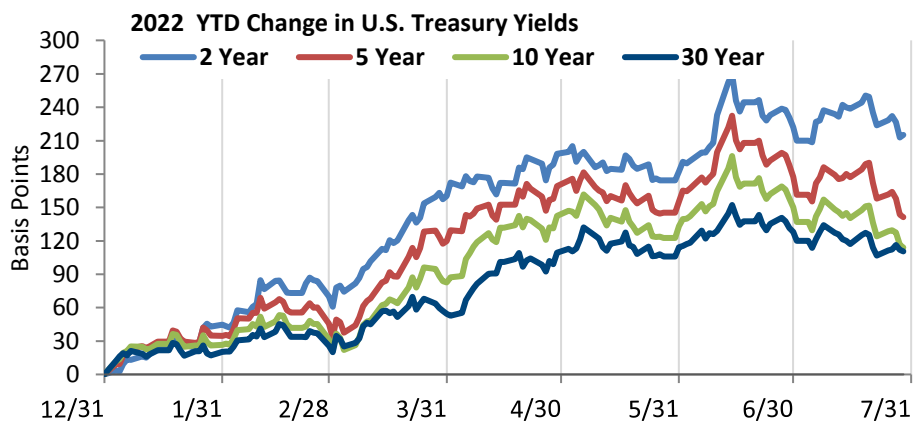
**U.S. Equities:** U.S. equity markets began the second half of 2022 with the strongest monthly gain since 2020. Investors were encouraged by resilient earnings data and the potential for a slower pace of rate hikes.



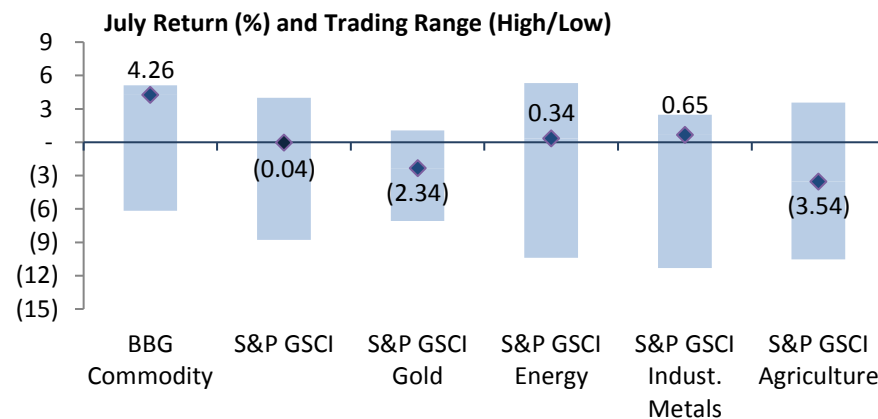
**International Equities:** Developed non-U.S. equities also moved higher in July but trailed domestic markets. Emerging markets declined on weak results from China.



**Fixed Income:** In a reversal from recent months, fixed income markets were broadly positive in July as yields moved lower following signs of slowing economic growth.



**Commodities:** Commodities performance was mixed during the month. Nat. Gas prices rose on weather and supply concerns. Declines in Precious Metals and Agriculture offset gains in most other sectors.

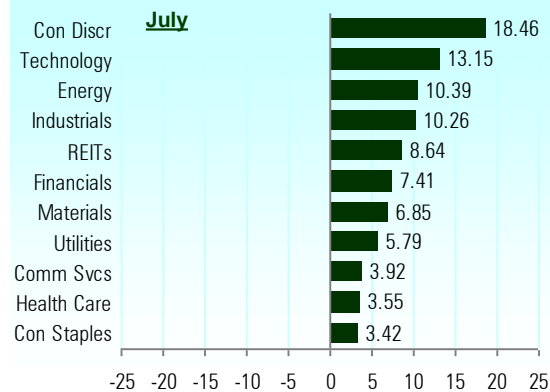


# Concord Advisory Group: July 2022 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	9.22%	0.39%	-12.58%	-4.64%	13.36%	12.83%
Russell 1000	9.31%	0.01%	-13.59%	-6.87%	12.91%	12.55%
Russell 1000 Growth	12.00%	0.73%	-19.44%	-11.93%	16.05%	16.30%
Russell 1000 Value	6.63%	-0.79%	-7.08%	-1.43%	8.88%	8.27%
Russell MidCap	9.87%	-1.02%	-13.83%	-9.83%	9.47%	9.70%
Russell 2000	10.44%	1.51%	-15.44%	-14.30%	7.51%	7.12%
Russell 2000 Growth	11.20%	2.34%	-21.55%	-23.18%	4.71%	6.87%
Russell 2000 Value	9.68%	0.74%	-9.30%	-4.76%	9.45%	6.71%
MSCI ACWI	6.98%	-1.92%	-14.60%	-10.48%	8.52%	7.87%
MSCI World	7.94%	-1.34%	-14.20%	-9.17%	9.57%	8.81%
MSCI ACWI Ex-US	3.42%	-4.80%	-15.63%	-15.26%	2.91%	2.44%
MSCI EAFE	4.98%	-4.04%	-15.56%	-14.32%	3.16%	2.61%
MSCI EM	-0.25%	-6.46%	-17.83%	-20.09%	0.90%	0.95%
Bloomberg Commodity	4.26%	-5.55%	23.49%	27.23%	16.20%	8.82%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	2.44%	1.49%	-8.16%	-9.12%	-0.21%	1.28%
Bloomberg Global Aggregate	2.13%	-0.88%	-12.09%	-14.59%	-2.45%	-0.47%
Bloomberg Intermediate Aggregate	2.17%	1.73%	-5.48%	-6.59%	0.08%	1.22%
Bloomberg Universal	2.51%	1.02%	-8.69%	-9.56%	-0.22%	1.34%
Bloomberg Government	1.58%	0.88%	-7.60%	-8.61%	-0.29%	1.04%
Bloomberg Credit	3.04%	1.24%	-11.19%	-12.15%	-0.18%	1.70%
Bloomberg Municipal	2.64%	2.46%	-6.58%	-6.93%	0.43%	1.89%
Bloomberg High Yield	5.90%	-0.98%	-9.13%	-8.02%	1.95%	3.05%
Bloomberg Mortgage	3.21%	2.69%	-5.85%	-6.69%	-0.53%	0.91%
Bloomberg 1-3 Yr Gov/Credit	0.53%	0.43%	-2.60%	-3.23%	0.51%	1.13%
FTSE 3-Month Treasury Bill	0.10%	0.22%	0.28%	0.30%	0.58%	1.09%
FTSE World Govt Bond	1.78%	-1.49%	-13.27%	-16.65%	-3.56%	-1.18%
Bloomberg U.S. TIPS	4.35%	0.05%	-4.96%	-3.58%	4.39%	4.01%
BofAML Invest Grade Convertible	5.84%	2.65%	-4.48%	-0.10%	6.72%	8.61%

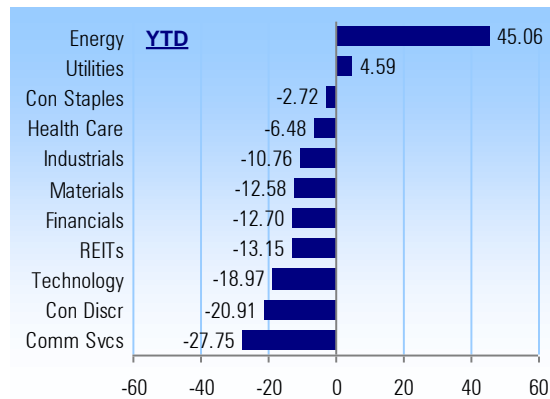
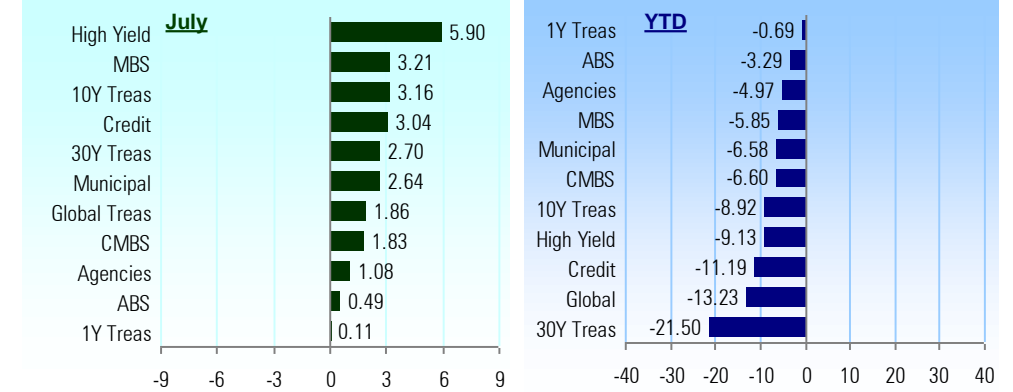
## Equity Sector Returns (%)



## Equity Style Returns (%)

	Value	Core	Growth
Large	6.63	9.31	12.00
Mid	8.61	9.87	12.24
Small	9.68	10.44	11.20

## Fixed Income Sector Returns (%)



	Value	Core	Growth
Large	-7.08	-13.59	-19.44
Mid	-9.02	-13.83	-22.55
Small	-9.30	-15.44	-21.55

## Treasury Yield Curve

