



THE CONCORD ADVISORY GROUP, LTD.

Institutional Investment Consulting Services

JUNE 2022 MARKET HIGHLIGHTS

“CAN A.I. & ROBOTS SET INTEREST RATES?”

THE CONCORD ADVISORY GROUP, LTD: JUNE 2022 MARKET HIGHLIGHTS

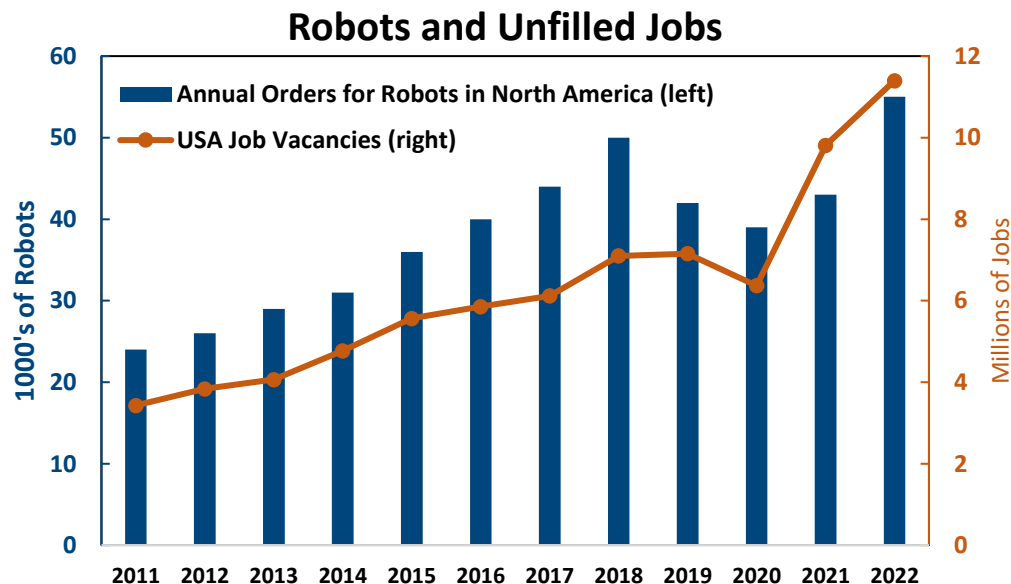
COMMENTARY: “CAN A.I. & ROBOTS SET INTEREST RATES?”

In the erratic environment in which we find ourselves, policymakers seem to be setting policy based on estimation. The substantial transmission lag between tighter monetary policy announcements and its impact being felt by the economy (estimated at 2-years or more ¹.) makes knowing the effects of current interest rate increases impossible. Because the Federal Reserve underestimated the risk of inflation, markets became concerned that current policies will hurt the economy or cause a systemic shock before inflation is tamed. The market fears that the policymakers waited too long to tighten policy and now are doing too much, too late.

Rather than guessing in a period of uncertainty, investment conviction may be found by exploring themes around which there is a high level of confidence. For example, there is a large labor supply problem. The number of unfilled jobs is at an all-time high level of 11.4 million and wage increases have made the current workforce much more expensive. Demographics data shows that populations are aging in most developed markets and China, suggesting that the working age population will be shrinking longer-term. A leaked internal Amazon memo voiced concern that they could run out of people to hire in warehouses by 2024.

Faced with a smaller, less motivated, and costlier workforce, companies are likely to invest heavily in automation and robotics. From ordering tablets at restaurants, to mobile phone hotel check-in, to robot manicure machines at some Target stores, automation is spreading. While labor is getting more expensive, automation is getting cheaper, and the more automation is utilized, the better it gets. The conflict between robots and workers has become a sticking point in labor negotiations in west coast ports, as well-paid longshore workers are concerned about Total Terminals International’s plans to “fully automate” its Long Beach Operations.

It is a paradox, but right now, it is easier to predict the direction of markets longer-term than shorter-term. While there is disorder and uncertainty around the short-term economic outlook, the long-term prospects for companies and profitability, benefiting from automation, are clear and positive. If we look 10-years into the future, investors will probably be quite happy if they owned the companies that produced or owned the robots.

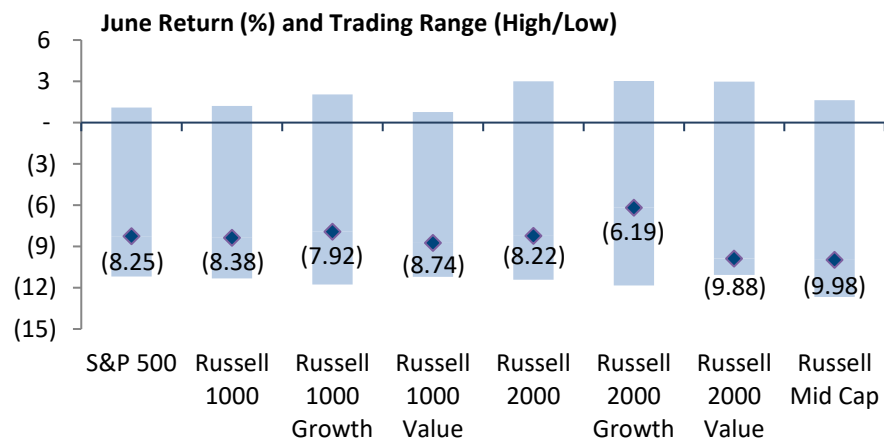


1. Tomas Havranek and Marek Rusnak, writing in the [International Journal of Central Banking](#), found an average (monetary policy) transmission lag of twenty-nine months. They also found the time lag to be longer, on average, in developed countries, such as the United States.

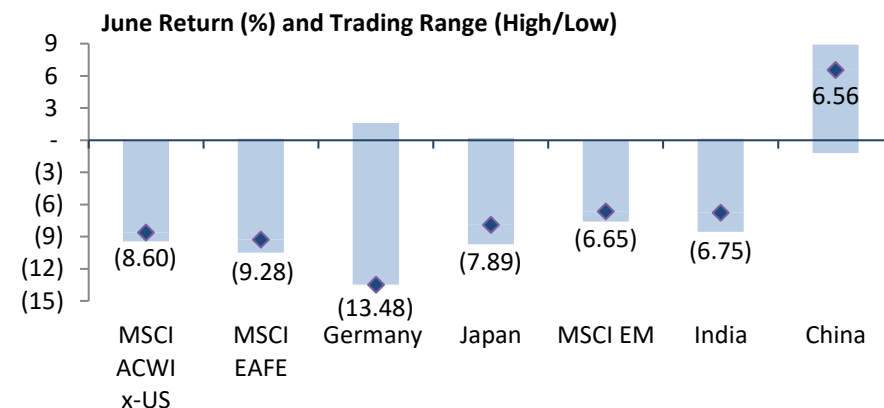
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MONTHLY CHARTS

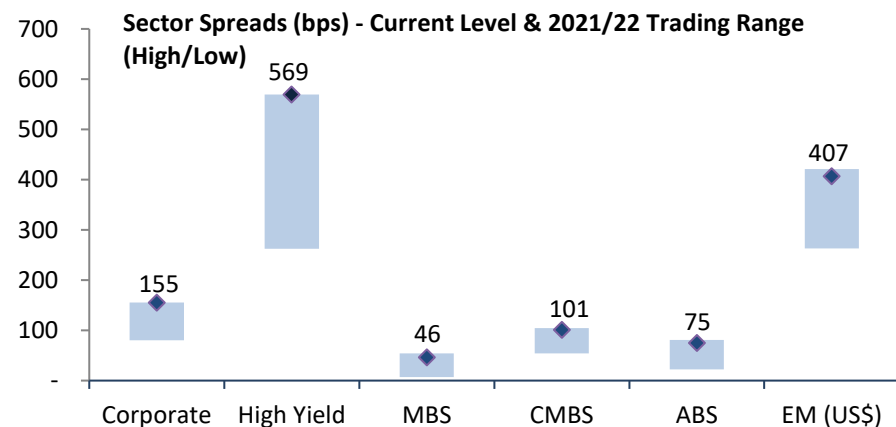
U.S. Equities: Market declines in June wrapped up the worst six-month start to a year in over 30 years. Inflation, slowing economic growth and rising interest rates continue to weigh on sentiment.



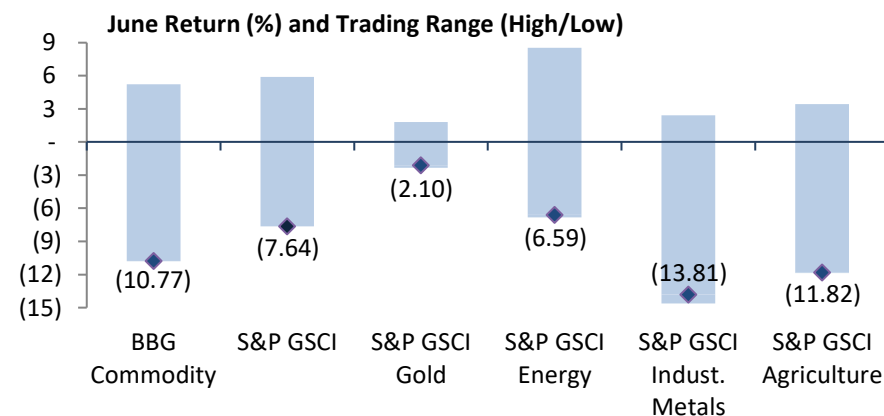
International Equities: Broad non-U.S. equities also ended the month in negative territory, further hampered by a strong U.S. dollar. China was an exception, posting gains amid easing COVID restrictions.



Fixed Income: Modestly higher interest rates and wider credit spreads led to negative returns for bonds, with credit sectors underperforming government bonds.



Commodities: Commodities prices reversed their recent bullish trend and moved lower in June, prompted by falling energy prices

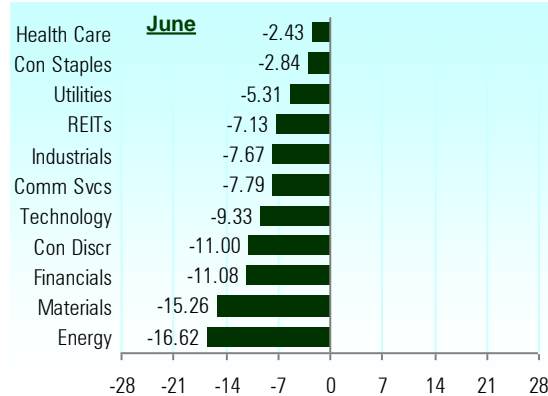


Concord Advisory Group: June 2022 Market Performance

Equity Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	-8.25%	-16.10%	-19.96%	-10.62%	10.60%	11.31%
Russell 1000	-8.38%	-16.67%	-20.95%	-13.04%	10.17%	11.00%
Russell 1000 Growth	-7.92%	-20.92%	-28.07%	-18.77%	12.58%	14.29%
Russell 1000 Value	-8.74%	-12.21%	-12.86%	-6.82%	6.87%	7.17%
Russell MidCap	-9.98%	-16.85%	-21.57%	-17.30%	6.59%	7.97%
Russell 2000	-8.22%	-17.20%	-23.43%	-25.20%	4.21%	5.17%
Russell 2000 Growth	-6.19%	-19.25%	-29.45%	-33.43%	1.40%	4.81%
Russell 2000 Value	-9.88%	-15.28%	-17.31%	-16.28%	6.18%	4.89%
MSCI ACWI	-8.43%	-15.66%	-20.18%	-15.75%	6.21%	7.01%
MSCI World	-8.66%	-16.19%	-20.51%	-14.34%	6.99%	7.67%
MSCI ACWI Ex-US	-8.60%	-13.73%	-18.42%	-19.42%	1.35%	2.50%
MSCI EAFE	-9.28%	-14.51%	-19.57%	-17.77%	1.07%	2.20%
MSCI EM	-6.65%	-11.45%	-17.63%	-25.29%	0.57%	2.18%
Bloomberg Commodity	-10.77%	-5.66%	18.44%	24.27%	14.34%	8.39%

Fixed Income Markets	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	-1.57%	-4.69%	-10.35%	-10.29%	-0.94%	0.88%
Bloomberg Global Aggregate	-3.21%	-8.26%	-13.92%	-15.25%	-3.22%	-0.56%
Bloomberg Intermediate Aggregate	-1.27%	-2.93%	-7.49%	-7.91%	-0.60%	0.88%
Bloomberg Universal	-2.00%	-5.13%	-10.93%	-10.89%	-0.94%	0.93%
Bloomberg Government	-0.87%	-3.71%	-9.04%	-8.82%	-0.84%	0.76%
Bloomberg Credit	-2.61%	-6.90%	-13.80%	-13.63%	-1.00%	1.25%
Bloomberg Municipal	-1.64%	-2.94%	-8.98%	-8.57%	-0.17%	1.52%
Bloomberg High Yield	-6.73%	-9.83%	-14.19%	-12.82%	0.20%	2.10%
Bloomberg Mortgage	-1.60%	-4.01%	-8.78%	-9.03%	-1.45%	0.36%
Bloomberg 1-3 Yr Gov/Credit	-0.70%	-0.63%	-3.11%	-3.57%	0.31%	1.07%
FTSE 3-Month Treasury Bill	0.07%	0.14%	0.18%	0.20%	0.61%	1.09%
FTSE World Govt Bond	-3.15%	-8.91%	-14.79%	-16.77%	-4.27%	-1.17%
Bloomberg U.S. TIPS	-3.16%	-6.08%	-8.92%	-5.14%	3.05%	3.22%
BofAML Invest Grade Convertible	-7.19%	-7.72%	-9.75%	-4.74%	5.17%	8.10%

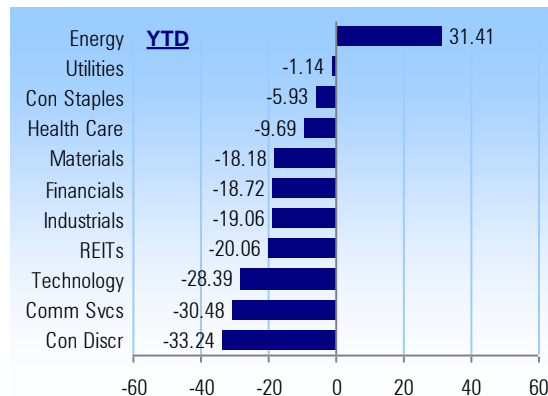
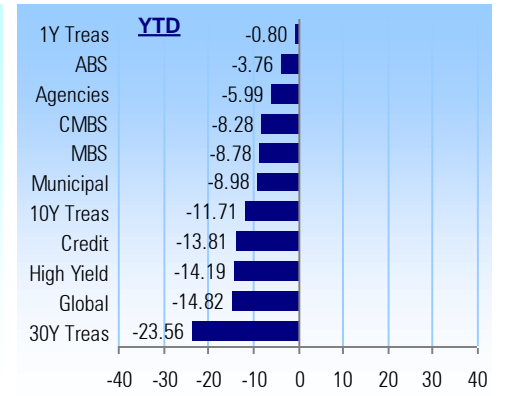
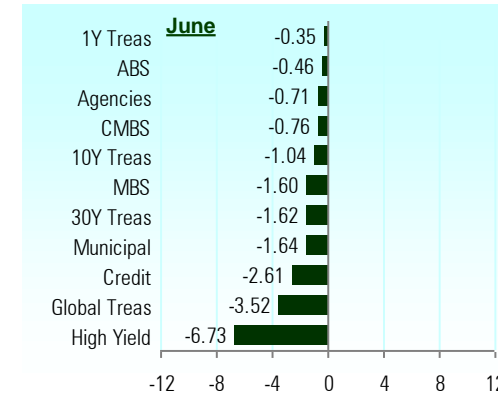
Equity Sector Returns (%)



Equity Style Returns (%)

Style	Value	Core	Growth
Large	-8.74	-8.38	-7.92
Mid	-10.99	-9.98	-7.48
Small	-9.88	-8.22	-6.19

Fixed Income Sector Returns (%)



Style	Value	Core	Growth
Large	-12.86	-20.95	-28.07
Mid	-16.23	-21.57	-31.00
Small	-17.31	-23.43	-29.45

Treasury Yield Curve

