genesis
WEALTH ADVISORS
*A Wealth of Possibilities*

June 2022

## *Current Investment Strategy and Themes*

- ***Traditional stocks and bond asset classes remain in a low return expectation environment.***
- ***Strategies within stocks and bonds need to focus on protection and diversification.***

## The Markets in Review: May 2022

- Capital markets rallied In the last week of May enough to produce small gains in all strategies in the bond and stock markets.  The last week of May was the best week in the S&P 500 in 2022.  The positive weekly return followed seven consecutive negative weekly returns.  These seven weeks were the worst streak of weekly negative returns since the eight consecutive negative week returns in early 2001.  While no market return behavior is directly related to any previous periods action, both of these declines were marked by collapse of the riskiest of the technology stocks.
- Most of the market difficulties in 2022 resulted from investors worry about the effect of rising inflation and the role the Federal Reserve would play in fighting inflation.  Throughout 2022, the focus was on the expected number of rate hikes by the Fed as it rose substantially from two to seven.  Plus, the Fed announced plans to begin a quantitative tightening cycle.  The way to invest in this cycle was to avoid longer duration and credit risk sensitive issues. Investors needed to protect principle by investing in shorter duration and higher quality credit risk instruments.
- Equity strategies suffered equally in this environment; whether domestic or non-US investments.  Much of the worst of the security returns were Nasdaq stocks which negatively impacted the small-cap market and particularly small-cap growth stocks.  As the S&P 500 flirted around the official designation of a bear market, successful equity strategies have been difficult to find (outside of pure energy sector investing).  But as the market rebalances away from the excess concentration in the very largest stocks inside the S&P 500, strategies that focus on the “rest of the market” or equal weighted approaches have offered relatively better returns.
- In mid-May, the recently released corporate and economic data began to change investors focus to the rising risks of an economic recession sooner rather than later, and a period of “stagflation” would change the Fed’s announced plans of rate increases throughout 2022.  Capital markets traditional nemesis is rising interest rates.  While the Fed may be handcuffed into not raising rates as rapidly and as much as planned as the economy declines, the impact of inflation, a rising cost of capital, and economic issues related to the supply chain and risk of recession remain overwhelming.
- Investors will remain in search of non-correlated assets such as commodity funds when the appeal of broad stock and bond markets appears so mediocre.  Stubbornly high inflation leads to bond portfolios to avoid long duration strategies.  The great technology dominance of the mega-cap technology stocks will continue to unwind.  The shift to the “rest of the market” will continue, especially those areas related to the supply chain rebuilding.

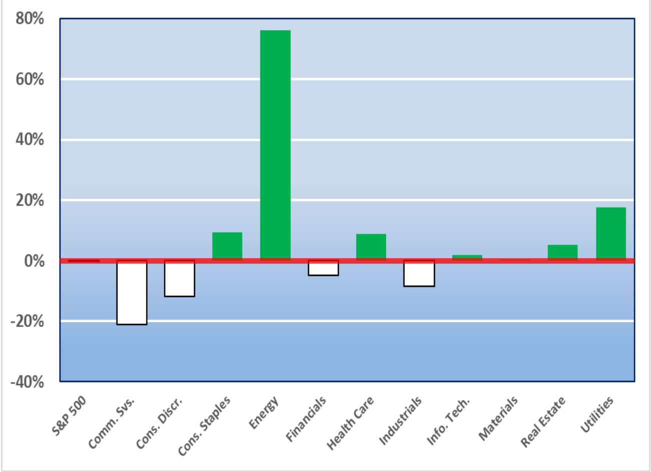
## Key Market Indicators

| Bullish | Favorable | Neutral | Cautious | Bearish |
|---|---|---|---|---|

| Equities | May 2022 | Year to Date | Last 12 Months | | Current View |
|---|---|---|---|---|---|
| U.S. Large  Cap | 0.18% | -12.76% | -0.30% | ■ | Neutral |
| U.S. Small Cap | 0.15% | -16.57% | -16.92% | 🟨 | Cautious |
| International Developed | 0.75% | -11.34% | -10.38% | 🟩 | Favorable |
| Emerging Markets Equity | 0.44% | -11.76% | -19.83% | ■ | Neutral |
| **Fixed Income** | | | | | |
| U.S. Aggregate | 0.64% | -8.92% | -8.22% | 🟨 | Cautious |
| U.S. Government | 0.19% | -8.23% | -7.45% | 🟨 | Cautious |
| U.S. Corporate | 0.89% | -11.50% | -9.99% | ■ | Neutral |
| U.S. High Yield | 0.25% | -8.00% | -5.27% | 🟨 | Cautious |
| Non-U.S. Developed | -0.09% | -14.39% | -19.29% | 🟨 | Cautious |
| Emerging Market Debt | 1.32% | -9.09% | -15.63% | 🟥 | Bearish |
| **Alternatives** | | | | | |
| REITs | -6.23% | -13.81% | 3.88% | ■ | Neutral |
| Commodities | 1.32% | 31.73% | 41.91% | 🟩 | Favorable |
| Managed Futures | -1.03% | 19.87% | 13.09% | ■ | Neutral |
| Hedge Funds | -1.09% | -3.31% | -3.01% | 🟩 | Favorable |

Source: Morningstar, data as of 5/31/2022

## Sector Returns The Last 12 Months



*Source: Morningstar*

# Important Disclosures

The statements contained herein are based upon the opinions of Genesis Wealth Advisors (Genesis), its investment research provider, Palladiem LLC, (Palladiem), and the data available at the time of publication and are subject to change at any time without notice. This communication does not constitute investment advice and is for informational purposes only, is not intended to meet the objectives or suitability requirements of any specific individual or account, and does not provide a guarantee that the investment objective of any model will be met. An investor should assess his/her own investment needs based on his/her own financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Palladiem or its affiliates to buy or sell any securities or investments or hire any specific manager.

Genesis and Palladiem prepared this Update utilizing information from a variety of sources that it believes to be reliable that may include, but not be limited to, custodians, mutual fund companies, investment managers, Morningstar, Bloomberg, other third-party service providers and in some cases as directed by the client or their representative. Genesis and Palladiem take reasonable care to ensure the accuracy of such information but does not warrant that it is complete, accurate or adequate and it should not be relied upon as such.

It is important to remember that there are risks inherent in any investment and that there is no assurance that any investment, asset class, style or index will provide positive performance over time. Diversification and strategic asset allocation do not guarantee a profit or protect against a loss in a declining markets. Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. Portfolio positions referenced are subject to change at any time, your portfolio may not reflect the information referenced.

Genesis and Palladiem have discretion to change allocations to styles and vehicles at any time.

Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.
“U.S. Small Cap” represented by the Russell 2000 Index.
“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.
“Emerging” represented by the MSCI Emerging Markets Net Return Index.
“U.S. Aggregate” represented by the Bloomberg Barclays U.S. Aggregate Bond Index.
“U.S. Government” represented by the Bloomberg Barclays U.S. Government Bond Index.
“U.S. Corporate” represented by the Bloomberg Barclays U.S. Credit Bond Index.
“U.S. High Yield” represented by the Bloomberg Barclays U.S. Corporate High Yield Index.
“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.
“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index
“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.
“Commodities” represented by the Dow Jones Commodity Index .
“Managed Futures” represented by the Credit Suisse Managed Futures Index.
“Global Macro” represented by the Credit Suisse Global Macro Index

Genesis Wealth Advisors is a Registered Investment Adviser.

For more information about Genesis, as well as its products, fees and services, please refer to Genesis’s website, Genesisadvisors.com or call us at 800-245-7526;