Aspen Wealth Management, Inc.
9300 W. 110th Street, Suite 680
Overland Park, KS 66210
913.491.0500
www.aspenwealth.com

Market Update
(all values as of 06.30.2022)

Stock Indices:

Dow Jones	30,775
S&P 500	3,785
Nasdaq	11,028

Bond Sector Yields:

2 Yr Treasury	2.92%
10 Yr Treasury	2.98%
10 Yr Municipal	2.75%
High Yield	8.88%

YTD Market Returns:

Dow Jones	-15.31%
S&P 500	-20.58%
Nasdaq	-29.51%
MSCI-EAFE	-20.97%
MSCI-Europe	-22.30%
MSCI-Pacific	-18.29%
MSCI-Emg Mkt	-18.78%
US Agg Bond	-10.35%
US Corp Bond	-14.39%
US Gov't Bond	-11.05%

Commodity Prices:

Gold	1,806
Silver	20.20
Oil (WTI)	106.36

Currencies:

Dollar / Euro	1.04
Dollar / Pound	1.21
Yen / Dollar	136.09
Dollar / Canadian	0.77

Macro Overview

Attention has shifted from inflation to recession as housing, wages, interest rates, commodities, and consumer expenditures have all receded from their highs, an indication to economists that an economic slowdown or recession may be evolving.

Numerous countries worldwide are restricting the export of food, adding to global supply constraints already causing shortages and hunger in various third-world countries. Such restrictions, which have been exacerbated by the invasion of Ukraine, are considered a form of food protectionism.

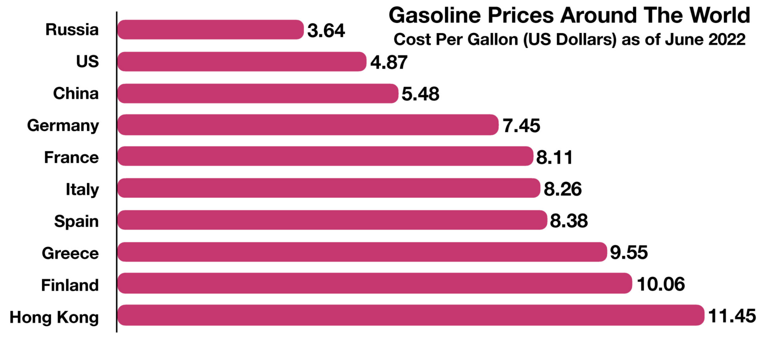
The EU imposed a partial ban on crude oil imports from Russia in response to the invasion of Ukraine. With energy prices already soaring in Europe, the ban is expected to cause even further inflationary pressures throughout the European region.

Equity indices had their worst first six months in decades, with the Dow Jones, S&P 500, and Nasdaq averages all posting negative returns. Elevated labor and material costs, recessionary concerns, and an increasingly faltering sentiment have fostered downward momentum.

The Federal Reserve Bank of Atlanta estimates Gross Domestic Product (GDP) with a model it has been utilizing for years, with a very low average tracking error of just -0.3. The model, known as GDPNow, estimates GDP for the second quarter of the year at negative 2.1%, following another negative 1st quarter GDP of 1.6%. Many economists consider two consecutive quarters of negative GDP as indicators of a recessionary environment. Fed Chairman Jerome Powell said that the risk of a recession is heightened as rates continue to move higher, stating that a recession is not the Fed's "intended outcome", but that it is "certainly a possibility."

Other signs of stabilizing inflationary pressures are present in the commodities market, where copper, oil, wheat, rice, and lumber continued to fall from their highs this past month. Lower commodity prices tend to help alleviate some expenses and inflation for consumers.

Gasoline prices eased a bit this past month with the national average for a gallon of regular gasoline falling to $4.87 at the end of June, down from $5.00 earlier in the month. As pricey as gasoline may seem, gasoline prices can be much higher in other countries, such as in Hong Kong where consumers are paying upwards of $11 per gallon.(Sources: The Federal Reserve Bank of Atlanta, EuroStat, Dept. of Energy, S&P, UN World Food Programme)



Equity Indices Have a Rough First Half – Domestic Equity Overview

Equity indices have had a difficult first half of the year. The S&P 500 Index had its worst first half since 1962. The Nasdaq had its worst first six months ever. In the second quarter alone, Nasdaq was down -22.77% and the S&P 500 down -16.1%. Many individual stocks fared far worse, especially many of the "Covid era high-fliers". The following are second quarter and year-to-date returns respectively for several notable companies:

Stock	2Q2022	YTD
Paypal	-39.6%	-62.97%
Docusign	-46.4%	-62.33%
Netflix	-53.3%	-71%
Amazon	-34.8%	-36.3%
Tesla	-37.5%	-36.3%
ARK Innovation	-39.84%	-57.84%

Any investor who bought these companies in January for fear of missing out (FOMO) certainly has buyers' remorse today.

Energy was the only positive sector in the S&P 500 for the first six months, while the other ten sectors including health care, financials, communications, and real estate were negative. Consumer discretionary and technology sector stocks were among the worst-performing sectors, with consumer staple stocks among the better performers.

Second-quarter earnings, due for release in July, are expected to reveal how company profits fared with exceptionally elevated material and labor costs earlier in the year. Analysts are also sensitive to a growing consensus expecting a recessionary environment before the end of the year.

Sources: Bloomberg, S&P, Reuters, Dow Jones

Fixed Income Update – No where to hide

In the second quarter, the Federal Reserve pivoted from inflation will be transitory to inflation is out of control. As such, the Federal Reserve raised short-term interest rates 3/4% in June. This confirms they were totally wrong in their inflation forecasts earlier in 2022 and they are panicking now. As such, U.S. Treasuries, the global fixed income benchmark, delivered total year-to-date losses of 11%. This is the worst first half performance since 1788.

German bonds are down 12.5% and overall euro zone government bonds 13% year-to-date.

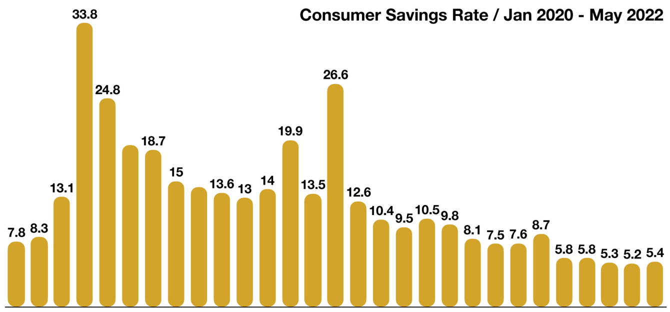
In the last couple weeks, some deflationary trends have emerged. Copper, crude oil, grain are all 10-25% off their 2nd quarter highs.

Many analysts expect the Fed to raise short-term rates at least once more by 75bps in July, with a possible pause thereafter. Some are even projecting the Fed to reverse course and start easing rates in 2023 should the economy fall into a recession. (Sources: Treasury Dept., Federal Reserve)

Upper Earners Hold Most Savings On Hand – Consumer Behavior

Consumers are now saving less than before the pandemic, as stimulus assistance funds and generous unemployment benefits have gradually evaporated, encouraging consumers to tap their savings at an accelerating pace. The drop in savings has been especially prolific for those nearing retirement. As markets have pulled back, so have retirement fund values, elongating the retirement threshold for many.

Savings rates rose dramatically in 2020 as billions of dollars in stimulus relief payments made their way into consumer accounts. Federal Reserve data found that households spent only 40 percent of their payments, used 30 percent to pay down debt, and saved about 30 percent on the initial round of stimulus payments. The spectacular rise in the savings rate to nearly 34 percent in April 2020 was a validation of how much of the payments went towards savings.

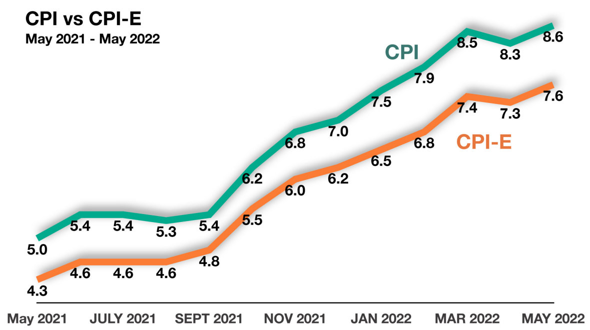


As additional relief programs along with generous unemployment benefits became effective, the savings rate remained elevated through the end of 2021. The most recent data show that the savings rate dropped to 5.4 percent in May 2022, lower than where it stood at roughly 7.5 percent before the pandemic began.

A Fed analysis found that lower-income households tend to spend most if not all of their income and end up having very little disposable income at the end of each month. Most lower-income households have already depleted their pandemic surplus funds in savings and are also being squeezed by inflation as food and energy prices continue to escalate. This has led to upper-income earners holding the most savings on hand, while lower-income savings begin to dwindle. (Source: U.S. Bureau of Economic Analysis, St. Louis Federal Reserve Bank, Marginal Propensity to Consume Working Paper; Federal Reserve Bank of Boston)

Inflation Can Be Different For Those Over 62 – Retirement Planning

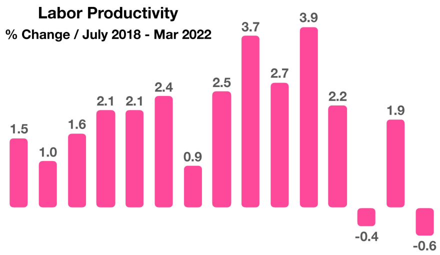
Data compiled by the government via the Bureau of Labor Statistics (BLS) maintains a separate tally of inflation for people over 62. The rarely heard index, known as the CPI-E, is a variation of the traditionally recognized CPI (Consumer Price Index), but with an emphasis on goods and services mostly used by those over 62 years of age. This past month, the recent release of the CPI-E and the CPI revealed an inflation rate of 7.6% for the CPI-E versus an 8.6% rate for the traditional CPI over the past year.



The CPI-E assigns a larger weight to senior-related expenses such as medical services and housing, and a lesser proportion to education and transportation. The index was first created in 1987 when Congress directed the BLS to assist in identifying inflationary pressures among senior citizens. The index currently represents roughly 25% of all U.S. consumers. (Source: BLS)

What Falling Labor Productivity Means – Labor Market Overview

The most recent data released by the Labor Department revealed the largest quarterly drop in productivity since 1947, decreasing at an annualized rate of 7.5%. The drop in productivity was concurrent with the largest rise in labor costs since 1982. Both of these measures are also indicators of inflationary pressures for both companies and consumers. Many companies have been passing along higher costs to consumers, but can only do so for so long until competition forces companies to hold prices steady and absorb higher costs. This can also lead to decreased levels of hiring and lower wages as companies struggle to maintain profitability levels.

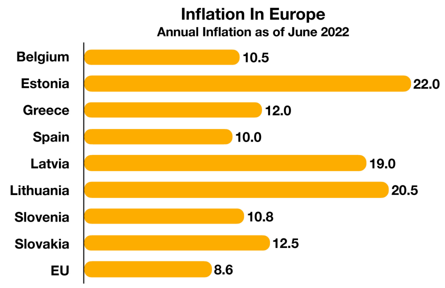


Data surrounding labor during the pandemic has been considered unreliable and inconsistent by many economists, meaning that the true effects of the COVID-19 pandemic and worker retention are still not certain. An essential data set is labor productivity, which is a measure of how efficiently companies are utilizing workers to produce products and services. This past month, the largest fourth quarter drop in labor productivity since 1993 was observed, according to the Bureau of Labor Statistics, marking a historic decline in productivity.

Federal Reserve survey results, reported in the Fed's Beige Book, have identified that a growing number of manufacturers and industrial companies are increasingly moving towards automation, replacing previously desired workers with robotic gear. Rising wages and a dwindling labor pool have forced some companies to resort to machines instead of hiring workers. (Sources: Labor Department, Federal Reserve Beige Book; https://www.federalreserve.gov/monetarypolicy/ files/ BeigeBook_20220601)

Inflation Varies From Country To Country In Europe – European Inflation

A tremendous surge of inflation has encompassed European countries as a result of the Russian invasion of Ukraine. Essential energy and food products that have for years been imported from Russia and Ukraine have elevated overall prices throughout Europe. Natural gas, petroleum, and numerous energy products have risen roughly 42% in the past year, hindering economic growth and consumer sentiment in the 27-member European Union (EU).



Overall inflation for the 27 countries making up the EU rose 8.6% in the past year, essentially identical to the inflation rate in the United States. The Harmonised Index of Consumer Prices, which measures inflation in the EU, saw the EU's inflation rate reach its all-time high in May of this year at 8.8%. This figure is more than four times the EU's average inflation rate from 2000 to 2022, which was at a stable 2.03% and even reached lows of -0.6% in 2015. Inflation has also been exceptionally harsh for Estonia and Lithuania, where inflation has exceeded 20%. Supply constraints, energy costs, and imported foods have been among the primary drivers of inflation in the EU.

Source: Eurostat; https://ec.europa.eu/eurostat/documents/2995521/14644614/2-01072022