

May 2022 Market Update

After setting new lows for the year, U.S. stocks rallied at the end of May to finish the month down 0.3%. International stocks rallied 1.5% but real estate plunged 4.7%. Bond total returns increased 0.8% as yields dropped slightly. Ten year Treasuries finished May at 2.85%.

On May 4 the Fed raised interest rates 0.50% and signaled additional 0.50% increases for June 15 and July 27. The Fed also announced their plan to reduce their balance sheet, effectively implementing a quantitative tightening. The Fed's overarching goal is to reduce inflation by using higher interest rates to reduce employment growth and to reduce overall demand for goods and services. Fed action will certainly reduce GDP growth but it remains to be seen if the magnitude of their action will induce a recession – generally defined as two consecutive quarters of negative GDP growth.

We have been balancing our concerns about market risk against our commitment to long-term goals. We have reduced risk by lightly underweighting stocks vs. bonds and by staying short duration vs. our bond benchmarks.

Table 1: Benchmark Index ETF Performance as of May 31, 2022

Benchmark Index	1 Mo	YTD	12 Mo	5 Yr Ann
U.S. Stocks	-0.3%	-14.3%	-4.2%	12.7%
International Stocks	1.5%	-10.6%	-12.0%	4.6%
U.S. Bonds	0.8%	-8.7%	-8.1%	1.1%
U.S. Real Estate	-4.7%	-14.1%	2.0%	7.8%

Table 2: Vanguard Asset Allocation Benchmarks as of May 31, 2022

Vanguard Fund: % Stock/% Bond mix	1 Mo	YTD	12 Mo	5 Yr Ann
LifeStrategy Growth Fund: 80/20	0.3%	-12.1%	-7.4%	7.9%
LifeStrategy Moderate Growth Fund: 60/40	0.3%	-11.2%	-7.5%	6.3%
LifeStrategy Conservative Growth Fund: 40/60	0.2%	-10.4%	-7.7%	4.6%

Chart 1: Year-to-Date Market Performance as of May 31, 2022

