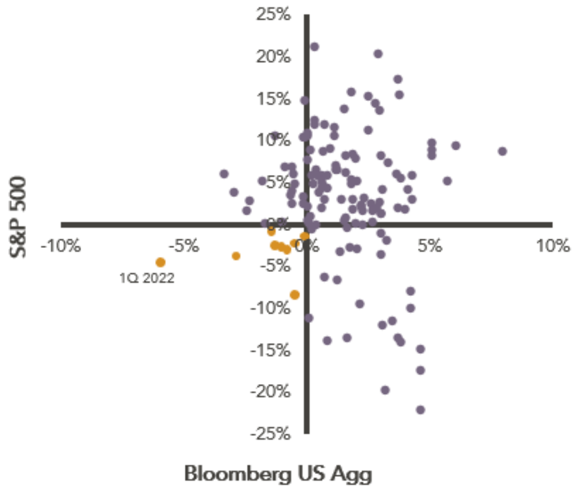
Chart of the Month

May 2022

A challenging time for 60/40 investors

There have only been nine quarters since 1988 where the Bloomberg U.S. Agg and S&P 500 were both negative. While only one month of data, April was worse than 1Q for both indices.



	Bloomberg US Agg	S&P 500	60/40 Return	NTM Return S&P 500	NTM Return Agg
Apr-22	-3.8%	-8.7%	-5.8%	??	??
1Q22	-5.9%	-4.6%	-5.4%	??	??
3Q08	-0.5%	-8.4%	-3.6%	-6.9%	10.6%
1Q94	-2.9%	-3.8%	-3.2%	15.6%	5.0%
1Q92	-1.3%	-2.5%	-1.8%	15.2%	13.3%
2Q08	-1.0%	-2.7%	-1.7%	-26.2%	6.0%
1Q90	-0.8%	-3.0%	-1.7%	14.4%	12.9%
1Q18	-1.5%	-0.8%	-1.2%	9.5%	4.5%
1Q05	-0.5%	-2.1%	-1.1%	11.7%	2.3%
2Q06	-0.1%	-1.4%	-0.6%	20.6%	6.1%
		Avg.	**-2.6%**	**6.7%**	**7.6%**

Source: Bloomberg as of April 30, 2022.

Historically, bonds have been an anchor to the more volatile stock markets. However, investors who have traditionally used bonds to reduce risk in their portfolios have been hit by rising interest rates. Starting with the first quarter of 2022, both bonds and stocks have retrenched creating negative returns for balanced portfolios.

Bonds act like a teeter-tooter, as interest rates rise, the value of the underlying bond falls. The Federal Reserve shifted gears in the first quarter from transitory inflation posture to more structural and has been raising rates ever since to combat heightened inflation in the U.S. Coupled with the fight against inflation, there has been a slowdown in the U.S. economy and corporate earnings. As a result, the month of April resulted in a negative 5.8% return for a 60% equity and 40% fixed portfolio, underperforming the entire first quarter of 2022.