

Equities

Stocks extended their rebound amid resilient earnings and the prospect of a 2023 Fed pivot. The S&P 500 rose 4.26% to its highest level since early June, powered by solid Q2 results from Apple, Amazon, and Alphabet. Overall, earnings are slightly beating expectations, and relative sector returns have tracked results. Communication services and health care, the two sectors with the highest % of EPS misses, were the worst-performing sectors in July, while real estate and tech – the sectors with the fewest disappointments – are among the leaders. With a weak GDP print increasing the market’s pricing of a Fed pivot, lower rates continued to drive growth stocks vs. value.

Fixed income

The Fed hiked rates 75bps on Wednesday to 2.25-2.50%, as expected. Fed Chair Powell’s post-meeting comments were interpreted as less hawkish than previous meetings, and in the wake of weak GDP data, markets now anticipate a Fed pivot towards easing in Q1 2023 and only 100bps more of hikes through 2022. The 10-year Treasury yield fell 10 bps to 2.65%, the lowest since April.

Commodities

Oil prices rose, eclipsing \$100/bbl once again on Friday despite recession concerns. Russia and Saudi Arabia reaffirmed their joint commitment to OPEC+ and oil market stability, which traders interpreted as less likely the group would heed President Biden’s overtures to raise output at next week’s meeting. Natural gas prices fell but remain at historic levels, pushing electricity prices sharply higher.

Economic overview

Q2 GDP fell -0.9%, the second contraction in a row, setting off a lively debate about whether the economy is now in a recession. The details showed broad-based weakness as business investment, home construction and consumer spending on durable goods all fell – indicating the Fed’s rate hikes are hitting demand. Consumer confidence fell to 95.7 in July, the lowest since the pandemic and an early indication that economic deceleration could continue from here. Finally, the Fed’s preferred inflation measure, the PCE deflator, rose 1.0% in June, more than expected. The employment cost index, a measure of wage pressure, also surprised to the upside with a 1.3% gain in Q2, an indication that the Fed’s fight against inflation is far from won.

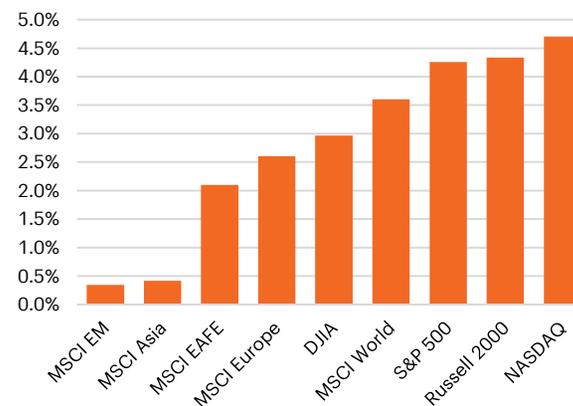
Equities (price index)		MTD	QTD	YTD	2021
S&P 500	4,130.29	9.11%	9.11%	-13.34%	26.89%
DJIA	32,845.13	6.73%	6.73%	-9.61%	18.73%
NASDAQ	12,390.69	12.35%	12.35%	-20.80%	21.39%
Russell 2000	1,885.23	10.38%	10.38%	-16.04%	13.70%
MSCI World	2,746.37	7.86%	7.86%	-15.02%	20.14%
MSCI Europe	1,705.59	4.87%	4.87%	-18.52%	13.75%
MSCI EAFE	1,937.26	4.93%	4.93%	-17.07%	8.78%
MSCI Asia	160.34	1.47%	1.47%	-16.97%	-3.40%
MSCI EM	993.78	-0.69%	-0.69%	-19.34%	-4.59%
VIX	21.33	-7.38	-7.38	4.11	(5.53)

Fixed income (total return index)		MTD	QTD	YTD	2021
Barclays U.S. Agg	2,162.99	2.44%	2.44%	-8.16%	-1.54%
Inv. grade bonds	3,114.32	3.24%	3.24%	-11.61%	-1.04%
High yield bonds	2,236.84	5.90%	5.90%	-9.12%	5.28%
Leveraged Loans	3,231.33	2.11%	2.11%	-2.54%	5.20%

Alternatives (total return index)		MTD	QTD	YTD	2021
FTSE NAREIT	25,114.35	8.55%	8.55%	-12.27%	41.30%
REIT Index					
GS Commodity Index	692.64	-2.34%	-2.34%	23.43%	37.05%
Alerian MLP Index	1,409.33	12.49%	12.49%	23.78%	40.17%
HFRX Global*	1,365.19	0.48%	0.48%	-4.59%	3.65%

*1-day lag

Last week's equity returns



Commodities		MTD	QTD	YTD	2021
WTI Crude	\$98.62	-6.75%	-6.75%	31.13%	55.01%
Brent Crude	\$110.01	-4.18%	-4.18%	41.44%	50.15%
Natural Gas	\$8.23	51.71%	51.71%	120.62%	46.91%
Gold	\$1,763	-2.46%	-2.46%	-3.59%	-3.51%

Currency

		MTD	QTD	YTD	2021
Dollar Index (DXY)	105.90	1.16%	1.16%	10.70%	6.37%
USDCNY	6.74	0.67%	0.67%	6.11%	-2.62%
Bitcoin	23,952	27.87%	27.87%	-48.31%	59.79%

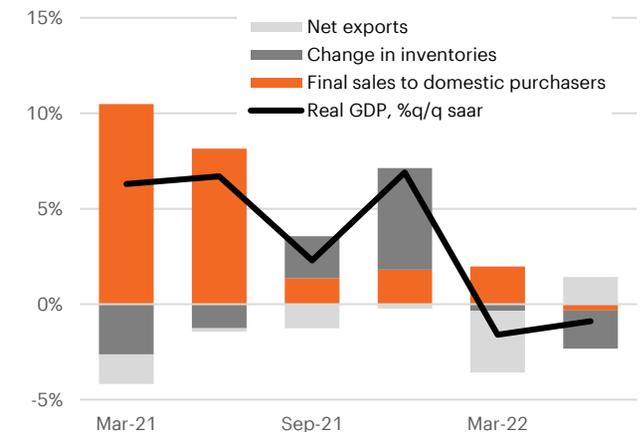
Spreads

		MTD	QTD	YTD	2021
Inv. grade bonds	144 bps	-11 bps	-11 bps	52 bps	-4 bps
High yield bonds	469 bps	-100 bps	-100 bps	186 bps	-77 bps
Leveraged loans	514 bps	-40 bps	-40 bps	103 bps	-32 bps
Emerging markets	405 bps	-2 bps	-2 bps	108 bps	16 bps

Interest rates

		MTD	QTD	YTD	2021
Fed Funds Target	2.375%	1.625%	0.375%	0.125%	0.125%
SOFR	2.28%	78 bps	78 bps	223 bps	-2 bps
3-month LIBOR*	2.78%	50 bps	50 bps	257 bps	-3 bps
2-year Treasury	2.88%	-7 bps	-7 bps	215 bps	61 bps
10-year Treasury	2.65%	-36 bps	-36 bps	114 bps	60 bps
30-year Treasury	3.01%	-17 bps	-17 bps	111 bps	26 bps
Barclays U.S. Agg	3.42%	-30 bps	-30 bps	166 bps	63 bps
Inv. grade bonds	4.33%	-37 bps	-37 bps	200 bps	59 bps
High yield bonds	7.73%	-116 bps	-116 bps	352 bps	3 bps

Real GDP and demand have decelerated



Source: Bureau of Economic Analysis, as of 7/28/2022.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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