



Equities

The S&P 500 returned -5.79% as global stocks cratered under the weight of massive central bank tightening. Small caps bore the brunt of the sell-off as the Russell 2000 declined -7.48% and now holds its lowest P/E ratio since 2011. The 20% S&P 500 drawdown since the end of March largely reflects growth concerns – defensives are down just 10%, while tech and cyclicals like financials and consumer discretionary are down between 20% and 30%. Energy, the lone gainer over that period, was the laggard last week. Equity weakness was broad-based, with Europe and E.M. stocks falling -5.22% and -4.74%, respectively.

Fixed income

Volatility exploded in benchmark yields as aftershocks from May’s CPI report caused markets to re-price expectations of a 75bps rate hike at Wednesday’s FOMC meeting. The 2-year yield surged 37bps by Tuesday to 3.43% causing the yield curve to briefly invert, although it eased by Friday to 3.18%. The 10-year hit an 11-year high of 3.47%, but also fell later in the week as growth concerns returned to the fore. Another 75bps rate hike is largely priced for the July FOMC meeting, and markets put a terminal Fed funds rate of 3.75% in early 2023. The Barclays Agg fell -0.92% on the week, and is now down -11.48% year to date.

Commodities

After reaching a 14-year high of \$124/bbl intraday on Tuesday, WTI crude prices declined sharply to end the week at \$109.56/bbl as recession fears gripped markets. U.S. supply has also become a factor as production hit 12 mmbpd for the first time since the start of the pandemic. U.S. natural gas prices plunged while those in Europe surged as a large LNG terminal outage curtailed exports.

Economic overview

Retail sales disappointed in May with a -0.3% m/m decline (Cons 0.1%) as higher spending on gas ate into other consumption. The “control” group that aligns with GDP was unchanged, and combined with a downward revision to April’s number, paints a picture of slowing consumption. Higher interest rates are hitting residential investment as housing starts tumbled -14.4% in May to 1.55 mln units. Producer prices rose 0.8% in May, as expected. Finally, both the New York and Philadelphia manufacturing surveys swung into contraction territory.

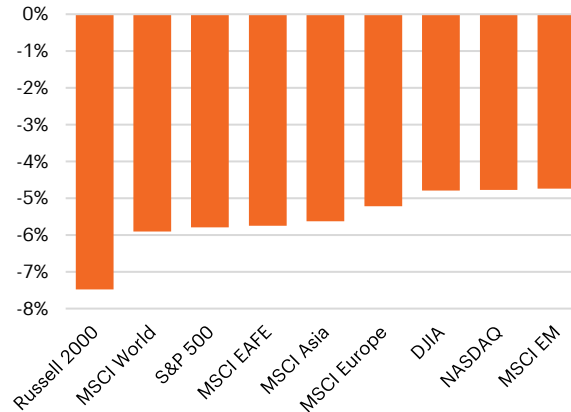
Equities (price index)		MTD	QTD	YTD	2021
S&P 500	3,674.84	-11.07%	-18.89%	-22.90%	26.89%
DJIA	29,888.78	-9.40%	-13.81%	-17.75%	18.73%
NASDAQ	10,798.35	-10.62%	-24.07%	-30.98%	21.39%
Russell 2000	1,665.69	-10.64%	-19.54%	-25.81%	13.70%
MSCI World	2,485.77	-10.94%	-18.58%	-23.08%	20.14%
MSCI Europe	1,608.20	-11.07%	-16.56%	-23.17%	13.75%
MSCI EAFE	1,823.08	-10.54%	-16.43%	-21.96%	8.78%
MSCI Asia	156.81	-7.49%	-13.10%	-18.80%	-3.40%
MSCI EM	1,004.63	-6.78%	-12.01%	-18.46%	-4.59%
VIX	31.13	4.94	10.57	13.91	-5.53

Fixed income (total return index)		MTD	QTD	YTD	2021
Barclays U.S. Agg	2,084.80	-2.81%	-5.89%	-11.48%	-1.54%
Inv. grade bonds	2,999.06	-3.37%	-7.80%	-14.89%	-1.04%
High yield bonds	2,139.02	-5.55%	-8.68%	-13.10%	5.28%
Leveraged Loans	3,204.16	-0.93%	-3.26%	-3.36%	5.20%

Alternatives (total return index)		MTD	QTD	YTD	2021
FTSE NAREIT	22,142.96	-11.09%	-18.35%	-22.65%	
REIT Index					41.30%
GS Commodity Index	753.61	-4.18%	4.06%	34.29%	37.05%
Alerian MLP Index	1,233.31	-15.30%	-8.83%	8.32%	40.17%
HFRX Global*	1,365.55	-1.30%	-3.26%	-4.57%	3.65%

*1-day lag

Last week's equity returns



Commodities		MTD	QTD	YTD	2021
WTI Crude	\$109.56	-4.46%	9.25%	45.67%	55.01%
Brent Crude	\$113.12	-7.91%	4.83%	45.44%	50.15%
Natural Gas	\$6.94	-14.75%	23.08%	86.17%	46.91%
Gold	\$1,836	-0.39%	-5.83%	0.38%	-3.51%

Currency

Dollar Index (DXY)	104.70	2.90%	6.50%	9.44%	6.37%
USDCNY	6.72	0.67%	5.94%	5.67%	-2.62%
Bitcoin	20,631	-35.10%	-54.92%	-55.47%	59.79%

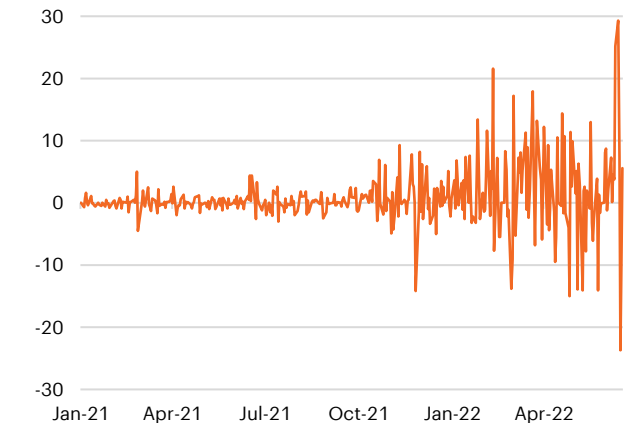
Spreads

Inv. grade bonds	144 bps	14 bps	28 bps	52 bps	-4 bps
High yield bonds	502 bps	96 bps	177 bps	219 bps	-77 bps
Leveraged loans	514 bps	31 bps	84 bps	103 bps	-32 bps
Emerging markets	374 bps	28 bps	54 bps	77 bps	16 bps

Interest rates

Fed Funds Target	1.675%	0.875%	0.375%	0.125%	0.125%
SOFR	1.45%	66 bps	116 bps	140 bps	-2 bps
3-month LIBOR*	2.06%	45 bps	110 bps	185 bps	-3 bps
2-year Treasury	3.18%	62 bps	84 bps	245 bps	61 bps
10-year Treasury	3.23%	38 bps	89 bps	172 bps	60 bps
30-year Treasury	3.28%	23 bps	83 bps	138 bps	26 bps
Barclays U.S. Agg	3.93%	55 bps	101 bps	217 bps	63 bps
Inv. grade bonds	4.79%	58 bps	119 bps	246 bps	59 bps
High yield bonds	8.51%	142 bps	250 bps	430 bps	3 bps

2-year Treasury, 1-day bps change



Source: Bloomberg Finance, L.P., FS Investments, as of 12:00pm on 6/17/2022.

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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