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AUGUST 8 2022

Quartz Partners Investment Management's weekly update summarizing key data and highlights from the market week.



MARKET DATA as of 8/5/22

Index	Level	4 week %	YTD %
S&P 500	4178	8.3	-12.2
Nasdaq Composite	12800	11.8	-18.7
Dow Jones Industrials	33069	6.0	-8.7
Russell 2000	1956	10.4	-13.8
MSCI EAFE	1924	6.6	-16.1
MSCI EMERGING	1002	1.5	-17.0
BarCap US Agg Bond TR		0.4	-9.1
BarCap US High Yield TR		6.4	-8.5

	2.84%	10-year Treasury Yield		2.6%	5 Year Inflation Expectations
	4.99%	30-year Fixed Mortgage Rate		444	High Yield Spread (bps)
	\$89	Oil Price		\$1,772	Gold Price
	\$4.30	Gasoline Price (national)		\$23,289	Bitcoin Price

STYLE RETURNS - 4 WEEK

	Value	Core	Growth
Large	5.7	8.5	11.2
Mid	7.3	8.8	11.7
Small	5.7	10.4	12.1

STYLE RETURNS - YEAR TO DATE

	Value	Core	Growth
Large	-7.3	-13.0	-18.2
Mid	-9.2	-13.2	-20.7
Small	-8.5	-13.4	-19.2

FACTOR RETURNS

	4 week %	YTD %
MOMENTUM	3.7	-21.7
SIZE	10.4	-13.8
LOW VOL	4.5	-8.1
DIVIDEND	3.7	-5.7
QUALITY	8.7	-16.3

QUARTZ PARTNERS P.R.I.C.E. MATRIX: MACRO OUTLOOK

1-3 MONTH OUTLOOK

POLICY
RISK PERCEPTION
INFLATION & INTEREST RATES
CREDIT & LIQUIDITY
EARNINGS & ECONOMY

	NEGATIVE	NEUTRAL	POSITIVE
POLICY			
RISK PERCEPTION			
INFLATION & INTEREST RATES			
CREDIT & LIQUIDITY			
EARNINGS & ECONOMY			

P.R.I.C.E. QUICK TAKES

POLICY: Fed is intent on raising rates until inflation cracks, with a recession or rising unemployment only catalysts for pausing if inflation does not recede... 75 basis points hike last meeting; balance sheet reduction plan is in motion; Biden administration has implicitly endorsed the Fed's moves and is contemplating its own tightening via tax policy...
RISK PERCEPTION: call buying has heated up, leading to a contrarian outlook downgrade; tech has exhibited some strength since recession concerns brought down 10yr (tech as duration play); "Crypto Winter" has negative wealth effect impact on speculative stocks....
INFLATION & INTEREST RATES: non-US central banks sans ECB/BoJ have begun to take action to curb inflation; oil and gas prices are on the decline, leading to outlook upgrade; inflation rate remains >9%...
CREDIT & LIQUIDITY: high yield spreads are on the rise, esp. since the 10yr caught a bid on May 9; potential downgrades a risk on the default side; bank liquidity robust but dark clouds on the horizon if refinancing activity slows...
EARNINGS & ECONOMY: supply chain issues have begun to ease, yet so may have consumer demand. China lockdowns, still ongoing intermittently, threaten to worsen the situation. Q1 GDP came in at -1.6 on declines in trade and defense spending.

RISK WATCH: growth concerns on the rise yet inflation remains stubbornly high, foreign exchange dislocations with USD surging, Fed continues to tighten aggressively.

TALKING POINTS

The stock market rose slightly last week, with the S&P 500 rising 0.4% and the Nasdaq Composite Index leading the charge up 2.2%. Small cap stocks rose with the broad stock market, with the Russell 2000 Index up 1.9%. The Technology (+1.9%), Consumer Discretionary (+1.2%) and Communication Services (+1.2%) sectors saw the biggest weekly gains, while Energy (-6.8%), Materials (-1.3%) and Real Estate (-1.3%) finished the week with the weakest relative performance. Treasury yields rose sharply largely owing to the strong June jobs report, with the 10-year benchmark yield jumping to 2.84% from 2.64%. High yield bond spreads fell significantly from 477bps to 444bps.

The most impactful economic data release of

the week was the June jobs report, which showed a stronger than expected 528,000 increase in nonfarm payrolls. The unemployment rate fell to 3.5% and wage growth, a key indicator of inflation, rose 0.5%, or 5.2% on a year-over-year basis. The strong jobs figure throws a wrench into the thesis that the Federal Reserve will begin to slow the rate hike cycle: After starting the week at a 28% probability of another 75bps hike at the next meeting in September (according to the futures market as tracked by the CME Fedwatch Tool), there is now an estimated 68% chance of yet another aggressive tightening.

Over the weekend, the Senate passed the "Inflation Reduction Act" Bill with a fully partisan vote of 51-50. The bill includes \$300

billion in Deficit Reduction measures and \$369 billion in Energy Security and Climate Change programs. Some key provisions include:

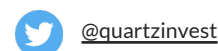
- \$161 billion in Clean Electricity tax credits
- Extension of Expanded ACA Subsidies
- Drug Price Inflation Cap
- 15% minimum corporate tax rate on domestic profits

Another would-be provision, the closure of the carried interest tax loophole that curiously allows private equity managers avoid billions in taxes, was replaced at the last minute with a 1% excise tax on stock buybacks. The final bill will now go to the House for a final vote.

THE WEEK AHEAD

US Consumer Price Index (Wed) • US Producer Price Index (Thu) • UK GDP (Fri) • U of M Consumer Sentiment (Fri)

See next page for index descriptions and important disclosures. Although certain information has been obtained from sources believed to be reliable, we do not guarantee its accuracy, completeness or fairness. This material is provided for educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities. Past Performance is not a guarantee of future results.



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Stock and bond values fluctuate in price so that the value of an investment can go down depending on market conditions. The two main risks related to fixed income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments. There may be less information available on the financial condition of issuers of municipal securities than for public corporations.

Data Source: Morningstar, Federal Reserve, coindesk, US Energy Information Administration, Yardeni Research (sector performance).

5-year inflation expectations are calculated as the yield difference between US Treasury Securities and Treasury Inflation-Protected Securities (TIPS) of the same maturity. High Yield Spreads are based on the ICE BofAML US High Yield Bond Index.

BENCHMARK INFORMATION

Large Value: Russell 1000 Value TR USD
 Large Blend: Russell 1000 TR USD
 Large Growth: Russell 1000 Growth TR USD
 Mid Value: Russell Mid Cap Value TR USD
 Mid Blend: Russell Mid Cap TR USD
 Mid Growth: Russell Mid Cap Growth TR USD
 Small Value: Russell 2000 Value TR USD
 Small Blend / Size: Russell 2000 TR USD
 Small Growth: Russell 2000 Growth TR USD
 Momentum: MSCI USA Momentum NR USD
 Quality: MSCI USA Quality NR USD
 Dividend: MSCI USA High Dividend Yield NR USD
 Low Volatility: MSCI USA Minimum Volatility (USD) NR USD

BENCHMARK DEFINITIONS

BBgBarc US Agg Bond TR USD: This index is comprised of approximately 6,000 publicly traded bonds including U.S. Government, mortgage-backed, corporate, and Yankee bonds with an approximate average maturity of 10 years.

BBgBarc US Corporate High Yield TR USD: Includes all fixed income securities having a maximum quality rating from Moody's Investor Service of Ba1, a minimum amount outstanding of \$100 million, and at least one year to maturity.

DJ Industrial Average TR USD: Computed by summing the prices of the stocks of 30 companies and then dividing that total by a split-adjusted value.

MSCI EAFE NR USD: This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-U.S., industrialized country indexes.

MSCI EM NR USD: captures large and mid cap representation across 27 Emerging Markets (EM) countries*. With 1,397 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI USA High Dividend Yield NR USD: The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

MSCI USA Minimum Volatility (USD) NR USD: composed of U.S. equities that, in the aggregate, have lower volatility characteristics relative to the broader U.S. equity market.

MSCI USA Momentum NR USD: measures the performance of U.S. large- and mid-capitalization stocks exhibiting relatively higher momentum characteristics.

MSCI USA Quality NR USD: The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage.

NASDAQ Composite TR USD: The Nasdaq Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the Nasdaq stock exchange.

Russell 1000 Growth TR USD: Tracks the companies within the Russell 1000 with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 TR USD: Consists of the 1000 largest companies within the Russell 3000 index, which represents approximately 98% of the investable US equity market. Also known as the Market-Oriented Index, because it represents the group of stocks from which most active money managers choose.

Russell 1000 Value TR USD: Tracks the companies within the Russell 1000 with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth TR USD: Tracks the companies within the Russell 2000 Index that have higher price-to-book ratios and higher forecasted growth values.

Russell 2000 TR USD: Consists of the 2000 smallest companies in the Russell 3000 Index.

Russell 2000 Value TR USD: Tracks the companies within the Russell 2000 Index that have lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap Growth TR USD: Tracks the companies within the Russell Midcap Index with higher price-to-book ratios and higher forecasted growth values.

Russell Mid Cap TR USD: Measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell Mid Cap Value TR USD: Tracks the companies within the Russell Midcap Index having lower price-to-book ratios and lower forecasted growth values.

S&P 500 TR USD: A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenues are based in the US; it's often used as a proxy for the U.S. stock market. TR (Total Return) indexes include daily reinvestment of dividends.

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