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APRIL 25 2022

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



MARKET DATA as of 4/22/2022

Index	Level	4 week %	YTD %
S&P 500	4272	-5.2	-10.0
Nasdaq Composite	12839	-9.0	-17.8
Dow Jones Industrials	33813	-2.8	-6.4
Russell 2000	1940	-7.0	-13.3
MSCI EAFE	2127	-3.6	-10.0
MSCI EMERGING	1075	-4.7	-12.2
BarCap US Agg Bond TR		-3.4	-9.5
BarCap US High Yield TR		-1.9	-7.4

	2.90%	10-year Treasury Yield		3.4%	5 Year Inflation Expectations
	5.11%	30-year Fixed Mortgage Rate		365	High Yield Spread (bps)
	\$102	Oil Price		\$1931	Gold Price
	\$4.07	Gasoline Price (national)		\$38,758	Bitcoin Price

STYLE RETURNS - 4 WEEK

STYLE RETURNS - YEAR TO DATE

FACTOR RETURNS

	Value	Core	Growth		Value	Core	Growth		4 week %	YTD %
Large	-2.5	-5.5	-8.4	Large	-3.1	-10.7	-17.3	MOMENTUM	-9.0	-15.7
Mid	-2.0	-4.1	-8.4	Mid	-4.1	-9.8	-19.9	SIZE	-7.0	-13.3
Small	-4.9	-7.0	-9.3	Small	-6.6	-13.3	-19.9	LOW VOL	-0.9	-6.0
								DIVIDEND	-1.1	-2.9
								QUALITY	-6.5	-15.5

TALKING POINTS

The stock market finished sharply lower last week, with the S&P 500 sliding -2.8% while the Nasdaq Composite fell 3.8%. Small cap stocks gave up some of its strong gains from the week before, with the Russell 2000 Small Cap Index falling 3.2%. The Real Estate (+1.2%) and Consumer Staples (+0.4%) sectors were the only weekly winners, while Communication Services (-7.7%) and Energy (-4.6%) finished the week with the steepest losses. Treasury yields popped higher on comments from Fed Chair Powell, with the 10-year benchmark yield rising to 2.91% from 2.86%. High yield bond spreads held steady, finishing week at 365bps, down from 368bps.

Fed Chair Powell maintained the central banks' hawkish posture last week: on Thursday, Powell confirmed market expectations that the Fed could move "a little more quickly," presumably referring to the potential for 50bps hikes rather than last meeting's 25bps decision. Indeed, Powell said that

"...50 basis points will be on the table for the May Meeting."** The market, which has been steadily discounting a 50bps hike at the May 4th meeting, now expects such a move with a 95% probability, according to Federal Funds futures. Looking ahead to expectations for the key rate at year-end, the market currently expects 2.75-3.25%; with six meetings left, this implies multiple hikes of at least 50bps per meeting.

Two international developments that are important to monitor are the sharp drop in the value of the Japanese yen and Covid lockdowns in China. Similar to US Treasuries, the yen is a traditional safe haven asset for global investors that has failed to provide a hedge against falling equity prices. The Bank of Japan's insistence that rising inflation will not deter its multi-decade battle to restore sustainably positive price growth. At about 128 per US dollar, the yen has plummeted since March. If it continues its

slide, there is a chance that financial markets could become further disrupted.

China's COVID-zero policy and recent rise in local cases has led to severe lockdowns in Shanghai and other regions. This has and will likely continue to worsen the ongoing supply chain crisis. It has also driven down the value of the Chinese yuan, which could prevent Japan from addressing the yen issue as the two countries compete for global demand. Overall, these two developments, in addition to the Ukraine war, Fed policy stance, and historic inflation rates have acted to breed instability in the financial markets.

*CNBC, April 21, 2022.

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

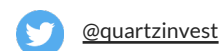
POLICY: Fed is insistent it will be hawkish, although it has yet to back it up with action; balance sheet reduction plan has not been announced; market has been doing Fed's job by front-running hikes and BS reduction....**RISK PERCEPTION:** volatility regime continues; tech underperformance has taken its toll on risk appetite, although inflation has driven flows into non-tech sectors so far in 2022....**INFLATION & INTEREST RATES:** central banks have not yet taken decision action to curb inflation and need to act fast; mortgage rates >5% threatens real estate market, although data remains strong; ...**CREDIT & LIQUIDITY:** high yield spreads are on the rise and face duration risk, with potential downgrades as a risk on the default side; bank liquidity robust but dark clouds on the horizon if refinancing activity slows...**EARNINGS & ECONOMY:** the SUPPLY chain, if one includes inflation as a major outcome, is the #1 headwind for the global economy and has yet to be resolved. China lockdowns threaten to worsen the situation.

RISK WATCH: 10-year yield on the rise, inflation as the risk de jour, supply chain disruptions, foreign exchange dislocations with USD surging.

THE WEEK AHEAD

US Q1 Earnings Season (all week) • Bank of Japan Meeting (Wed) • US Advance Q1 GDP (Thu) • US Core PCE (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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