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MAY 16 2022

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



MARKET DATA as of 5/13/22

Index	Level	4 week %	YTD %
S&P 500	4024	-9.4	-15.1
Nasdaq Composite	11805	-13.4	-24.4
Dow Jones Industrials	32197	-6.7	-10.8
Russell 2000	1792	-11.4	-19.8
MSCI EAFE	1942	-7.6	-15.7
MSCI EMERGING	1004	-10.1	-18.0
BarCap US Agg Bond TR		-1.9	-9.7
BarCap US High Yield TR		-4.1	-10.4

	2.94%	10-year Treasury Yield		3.03%	5 Year Inflation Expectations
	5.30%	30-year Fixed Mortgage Rate		463	High Yield Spread (bps)
	\$110	Oil Price		\$1,807	Gold Price
	\$4.43	Gasoline Price (national)		\$29,283	Bitcoin Price

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 and has begun to back its jawboning up with action, raising 50 basis points last meeting and projecting at least 1-2 more hikes at the same pace; balance sheet reduction plan will begin in June; Biden administration has implicitly endorsed the Fed's moves and is contemplating its own tightening via tax policy....**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:** non-US central banks have not yet taken decision action to curb inflation; mortgage rates >5% threatens real estate market; inflation rate remains >8% ...**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:** 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. Q1 Advance GDP came in at -1.4 on declines in trade and defense spending.

RISK WATCH: growth concerns on the rise yet inflation remains stubbornly high, supply chain disruptions, foreign exchange dislocations with USD surging, potential for Q2 earnings risk.

STYLE RETURNS - 4 WEEK

	Value	Core	Growth
Large	-6.9	-9.8	-12.8
Mid	-7.3	-9.6	-14.4
Small	-8.9	-11.4	-14.2

STYLE RETURNS - YEAR TO DATE

	Value	Core	Growth
Large	-7.5	-16.0	-23.6
Mid	-9.2	-15.5	-26.9
Small	-8.9	-19.8	-27.0

FACTOR RETURNS

	4 week %	YTD %
MOMENTUM	-12.2	-21.6
SIZE	-11.4	-19.8
LOW VOL	-7.8	-10.5
DIVIDEND	-4.3	-5.2
QUALITY	-9.1	-19.5

TALKING POINTS

The stock market fell again last week, with the S&P 500 dropping 2.4% and the Nasdaq 100 Index falling 2.8%. Small cap stocks also fell with the broad stock market, with the Russell 2000 Index falling 2.5%. The Consumer Discretionary (-3.4%) and Information Technology (-3.5%) sectors saw the biggest drops, while Consumer Staples (+0.3%) and Communication Services (-0.2%) finished the week with the best relative performance. Treasury yields fell sharply on growth concerns, with the 10-year benchmark yield falling to 2.94% from 3.12%. High yield bond spreads rose sharply from 418bps to 463bps.

Growth concerns are beginning to appear with investors viewing economic reports such as the Q1 GDP decline as warning signs that Federal Reserve policy may have a recessionary impact on the US economy. Treasury yields responded by falling sharply last week. At the same time, supply issues have prevented commodity prices from coming

down at the same pace. Resource protectionism, while understandable, is worsening the potential crisis - India has announced an export restriction on wheat as it struggles to support food demand at current levels of supply and prices. If the divergence between growth expectations and inflation persists, the likelihood of stagflation increases. Stagflationary periods, best exemplified by the US economy in the 1970s, is marked by rising unemployment and prices. Global supply chain issues and zero interest rate policy (still maintained by both the Eurozone and Japan) are unresolved contributors to this market period, which will likely keep market and economic risk elevated through the summer. In the meantime, the self-defined bear market in US stocks has fallen to levels that opens the door for speculative rallies. Nevertheless, structural weakness persists, a backdrop that should be kept in mind during any short-term rise in stocks.



THE WEEK AHEAD

Fed Chair Powell Speech (Tue) • US Retail Sales (Tue) • G7 Meetings (Wed-Fri)

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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.

Quartz Partners Investment Management
 1795 Rt 9, Clifton Park, NY 12065
 Phone: (800) 433-0422
 info@quartzpartners.com

www.quartzpartners.com