



Economic & Investment Outlook Update



2Q and YTD Returns

Index

2022-Q2

2022 First Half

90-Day Treasury Bills
(Bloomberg US Treasury Bill 1-3 Month TR)

0.12%

0.15%

10-Year U.S. Treasury
(Bloomberg US Treasury 10+ Yr TR)

-11.93%

-21.25%

U.S. Bonds
(Bloomberg US Agg Bond TR)

-4.70%

-10.35%

High-Yield Corporate Bonds
(Bloomberg US Corp High Yield TR)

-9.82%

-14.19%

S&P 500 TR Index

-16.10%

-19.96%

MSCI World ex. U.S.
(MSCI ACWI Ex USA NR)

-13.73%

-18.42%

MSCI Emerging Markets
(MSCI EM NR)

-11.45%

-17.63%

Commodities
(DJ Commodity TR)

-5.70%

18.44%

2022 Outlook

Tug of war between earnings
tailwinds and valuation headwinds.



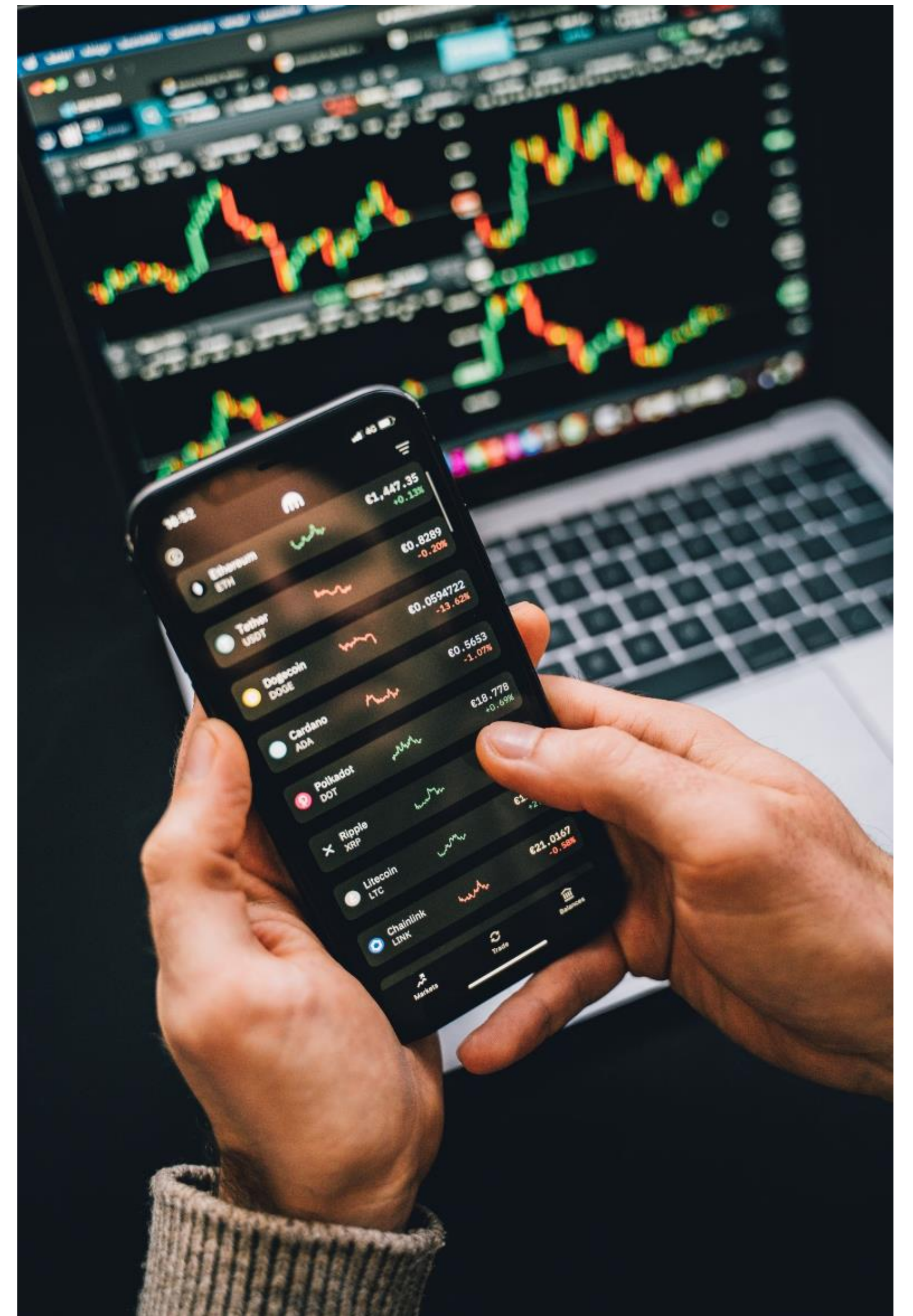
Volatility



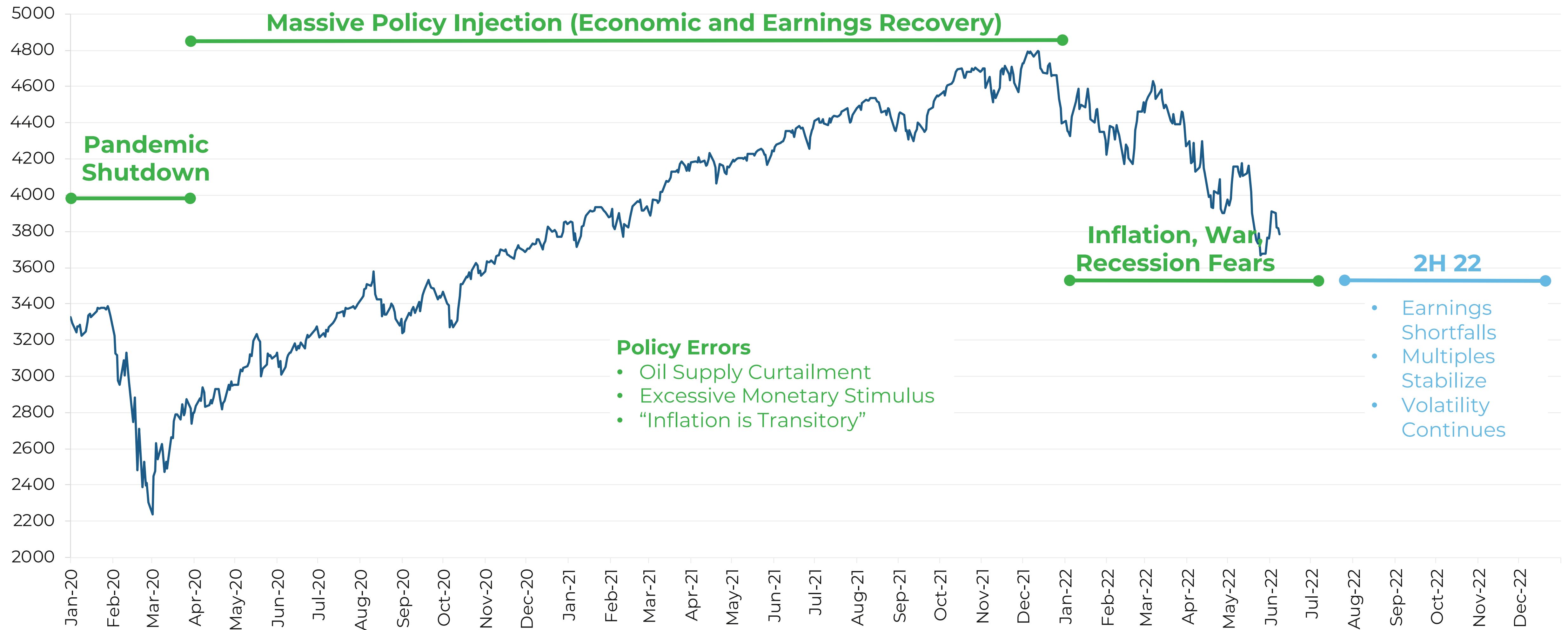
90% of days
YTD >1%
change in S&P
500



Equals 2000
and 2009
(records)



S&P 500 Recent History

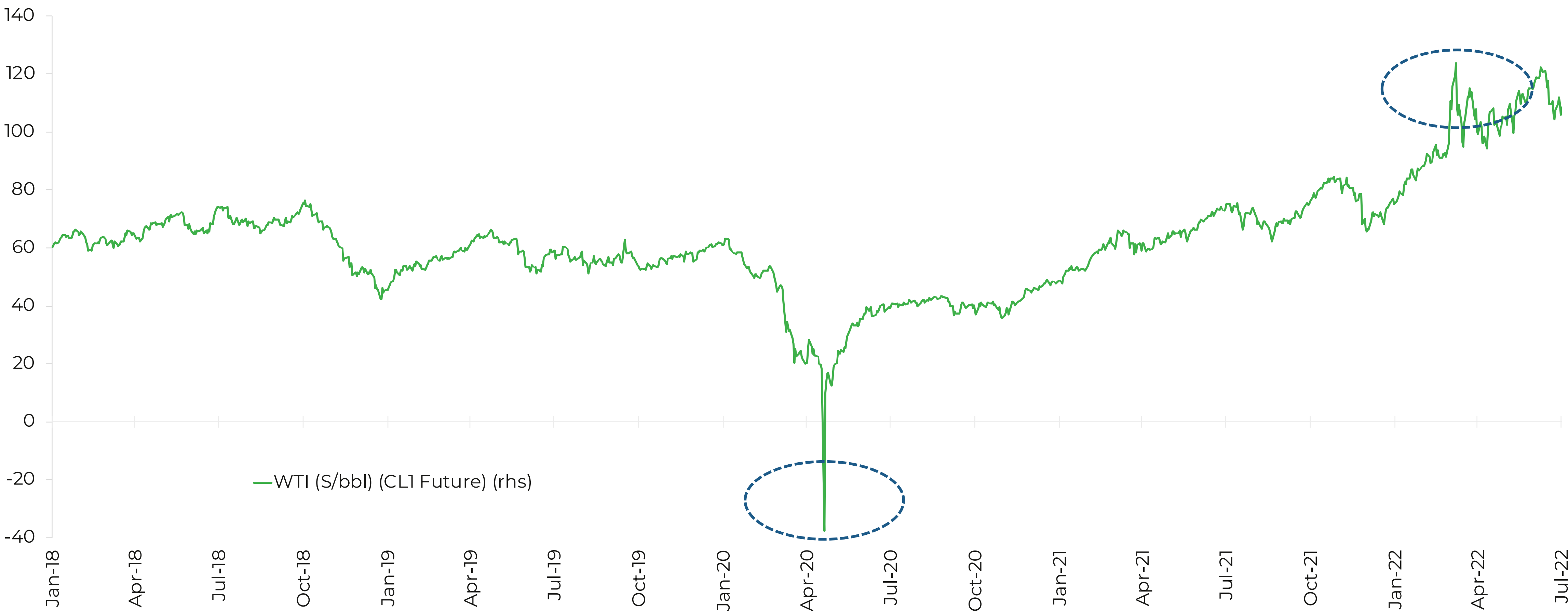


Source: Bloomberg. As of June 30, 2022.

Only 23 Months Apart... (Oil: Negative Price → >\$100)

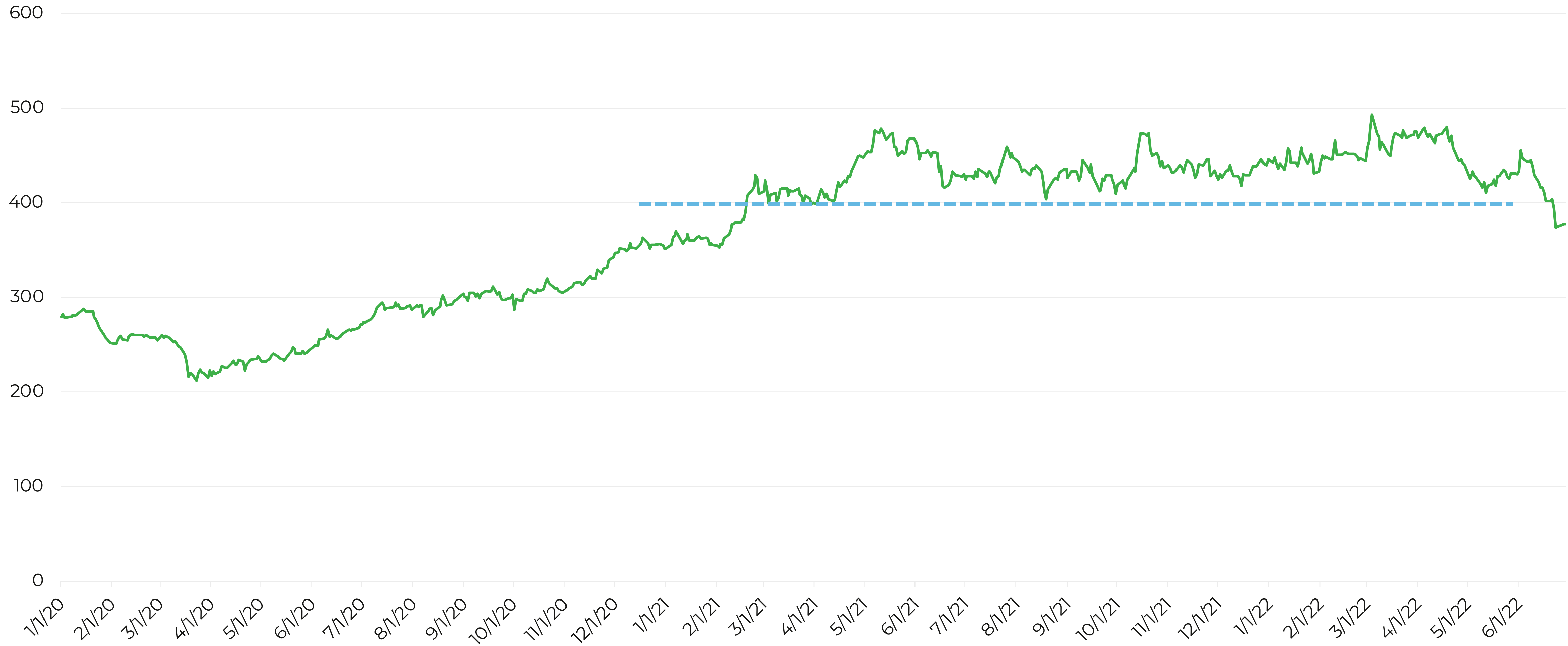


WTI Crude Oil



Source: Bloomberg. As of April 7, 2022.

52-Week Low for Copper Can't Be Ignored



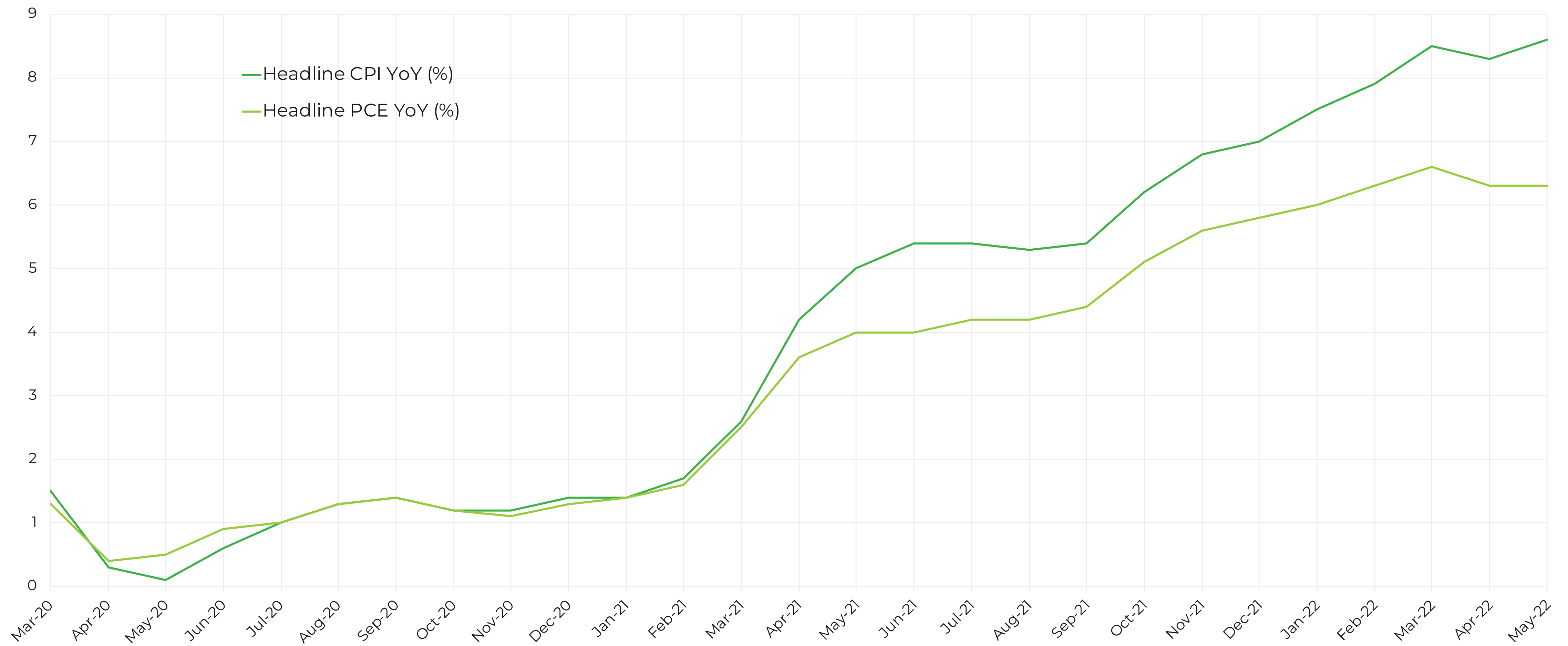
Source: Bloomberg. As of June 30, 2022.

US 10 Yr Yield



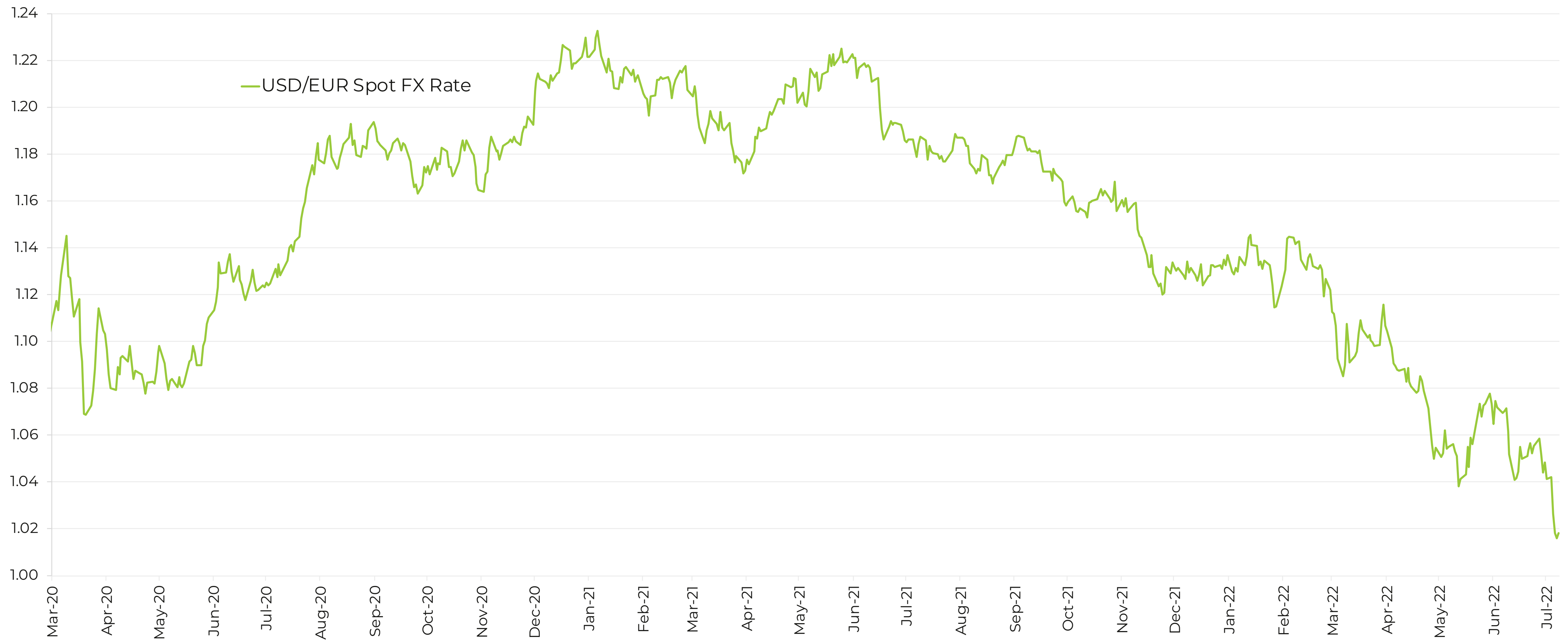
Source: Bloomberg. As of July 8, 2022.

CPI/PCE



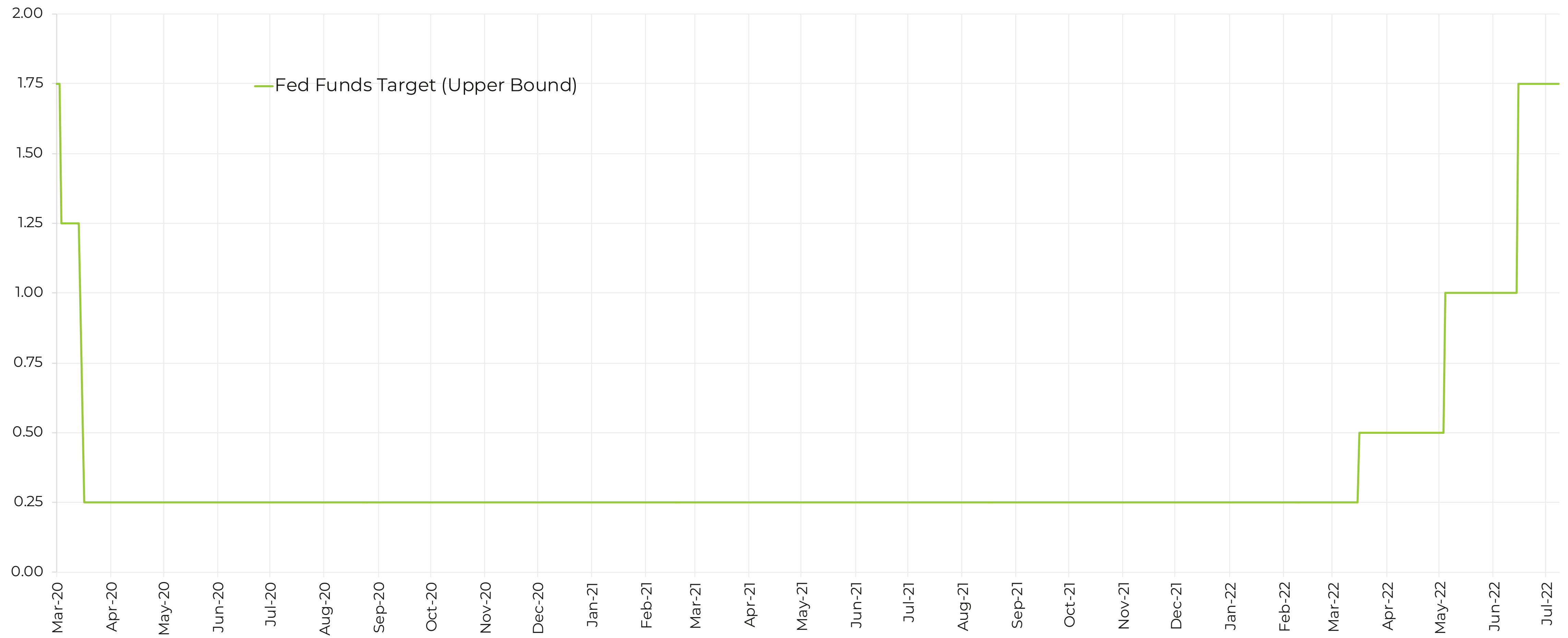
Source: Bloomberg. As of July 8, 2022.

EUR/USD



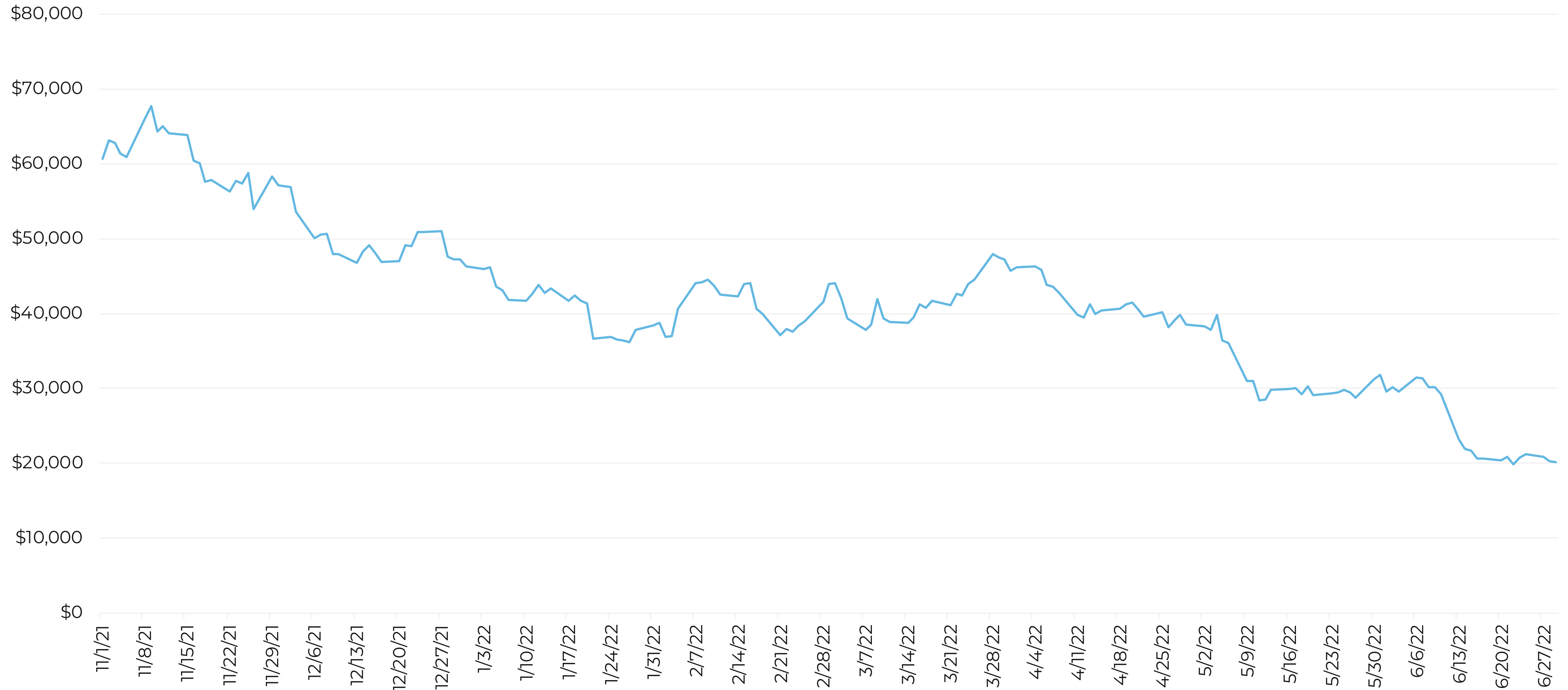
Source: Bloomberg. As of July 8, 2022.

Feds Funds



Source: Bloomberg. As of July 8, 2022.

Crypto Collapse

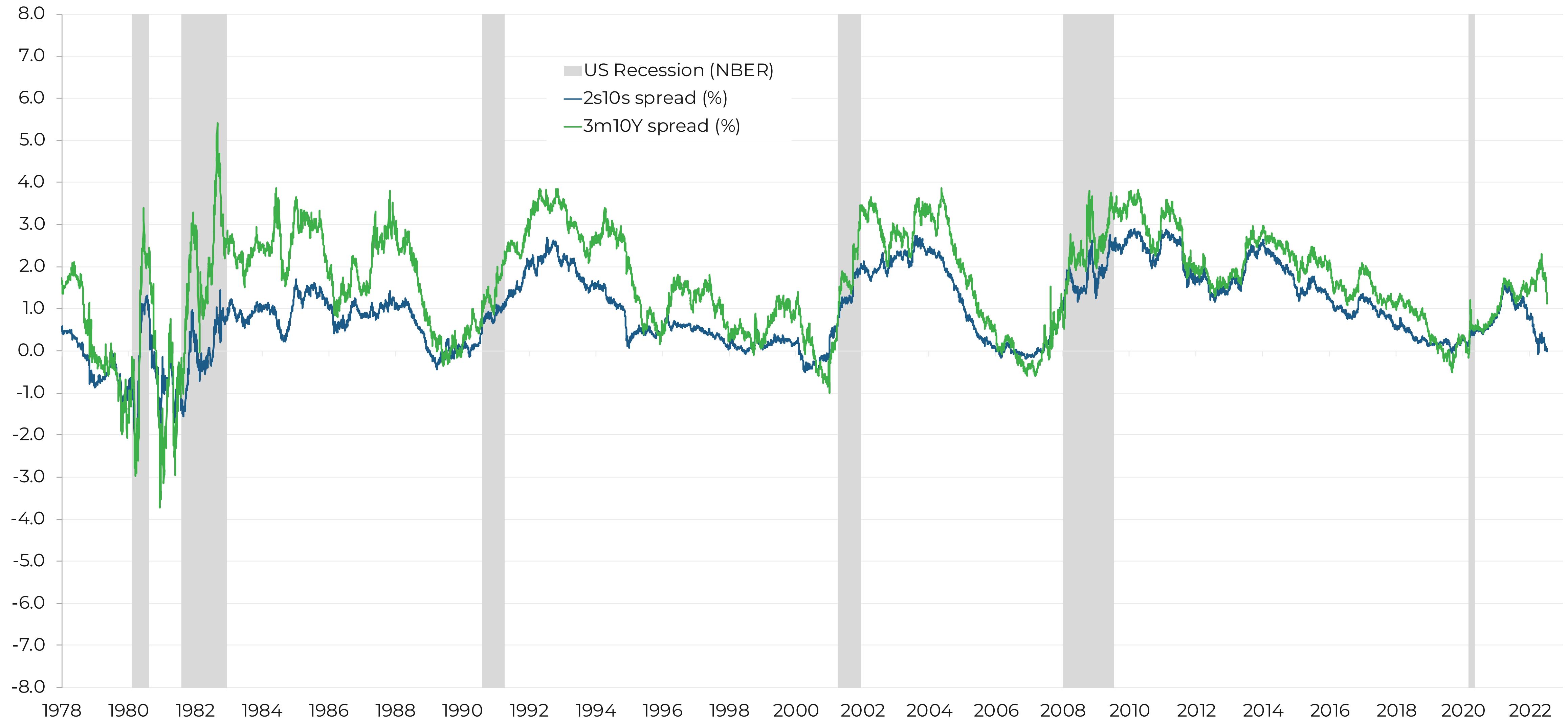


Source: Bloomberg. As of June 29, 2022.



Signals

2s10s vs 3m10y Spreads



Source: Bloomberg. As of July 5, 2022.

The End Of A 40-Year Downtrend In Yields

10Y US Treasury Yield (%)



Source: Bloomberg. As of 4/22/22.

Valuation Levels Have Fallen But Are Still High



S&P 500 Forward P/E



Source: Bloomberg. As of June 10, 2022.

Bear Market Rallies



	Bottom	Rally High	
February 24	4114	4367 (March 29)	+12.7%
May 20	3810	4177 (June 2)	+9.6%
June 16	3637	?	

The Bottom

- Probably not in yet
- Possible requirements:

Technical

- VIX > 40
- Capitulation
- High volume

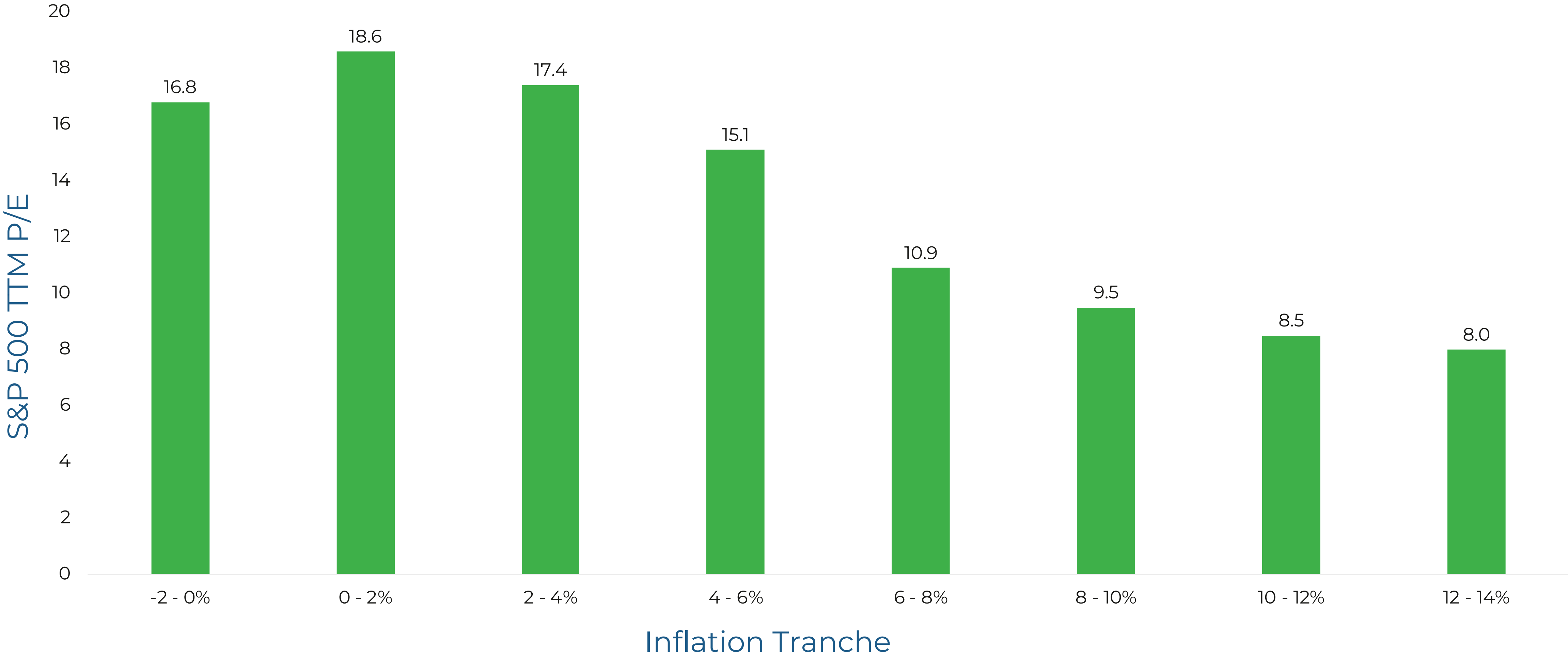
Fundamental

- Inflation peaks
- Bond yields peak
- Visibility on Fed tightening ending

S&P 500 P/E Vs. Inflation

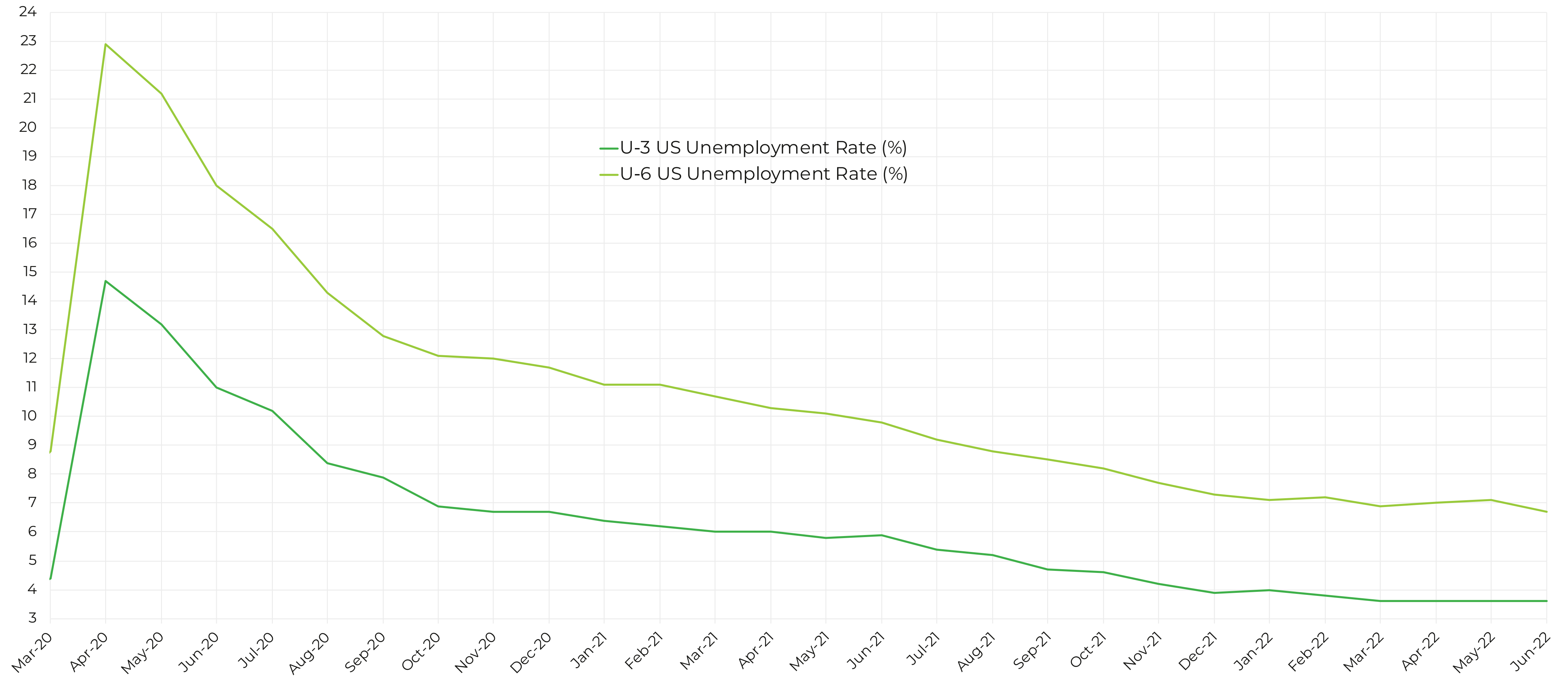


Average S&P 500 TTM P/E by CPI Y/Y Tranche (1950 – 2021)



Source: Strategas. Used with permission.

U3/U6 Unemployment



Source: Bloomberg. As of July 8, 2022.

BBB Credit Spreads



Source: Bloomberg. As of July 8, 2022.



Economy - Observations

- 1** Parts of the U.S. economy are slowing, but overall economy remains in reasonable shape.
- 2** Shift from goods to services is underway.
- 3** Recession rarely starts with decent consumer balance sheets, healthy corporate sector, and strong labor market.
- 4** Expect employment to slow...spotty layoffs.
- 5** Housing downturn is underway.
- 6** Inflation is stubborn, but likely peaked in 2Q.
- 7** Fed hawkishness has followed stubborn inflation.
- 8** “Threading the needle” for a soft landing is a tough task.
- 9** Profit expectations probably too high.
- 10** War impact especially on Europe and China COVID lockdowns remain wildcards.



Recession – Yes or No?

<u>Yes</u>	<u>No</u>
1. Persistent inflation	1. Inflation peaking
2. Massive monetary tightening cycle	2. Will peaking inflation cause some slowing in the tightening phase?
3. Stay at home conservatism lingers	3. Pent up service demand
4. High/rising energy prices	4. Energy importance much lower than earlier cycles
5. Higher bond yields	5. Have yields peaked, at least for now?
6. Fiscal contraction	6. Fed largesse still on balance sheets
7. Profits recession likely	7. Corporate financials healthy
8. Rising dollar	8. Could dollar be peaking?
9. Wealth effect from market decline	9. Still massive excess savings on balance sheets
10. Widening credit spreads	10. ...but from historic tight levels



What's Next

U.S. Stock Market



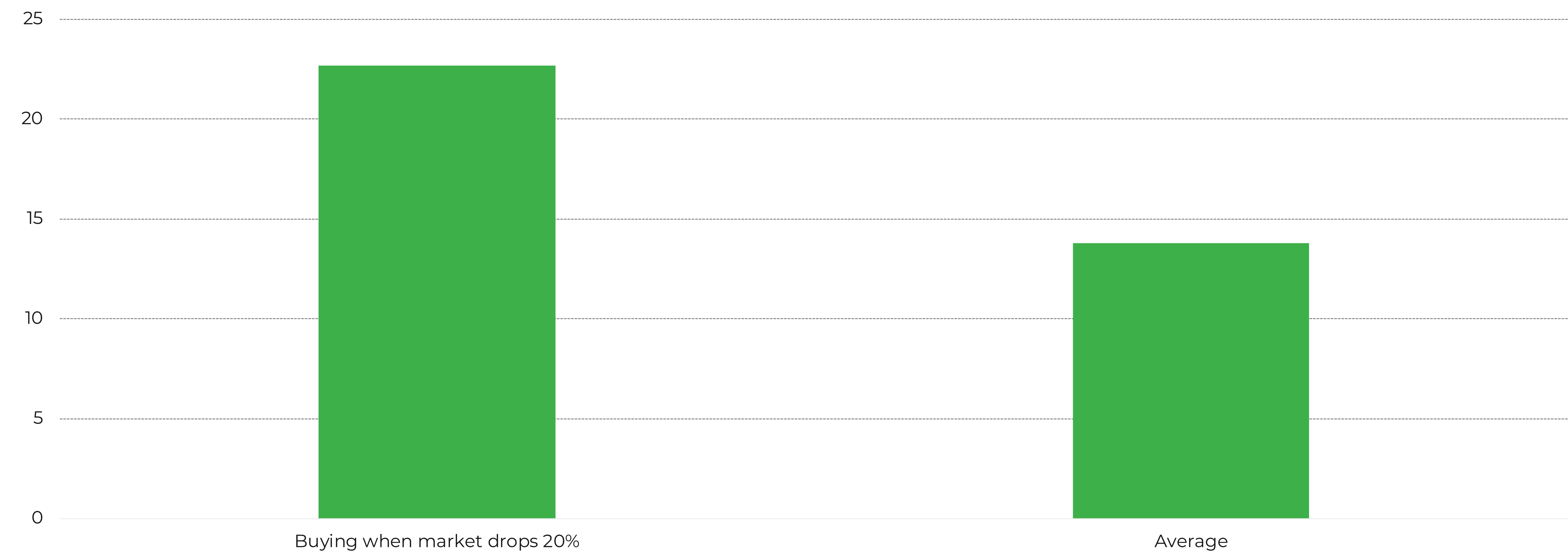
	First 5 Months of 2022	Rest of Year
Earnings	↑	↓
P/E	↓↓	↑
Stocks	↓	↔



Buying When Market Drops 20%



S&P 500's annualized total return Next 12 months



Source Marketwatch. Data since WWII. As of June 14, 2022.

S&P 500 Returns By Time Frame

1926 - 2020

Time Frame	Positive	Negative
Daily	56%	44%
1 Year	75%	25%
5 Years	88%	12%
10 Years	95%	5%
20 Years	100%	0%

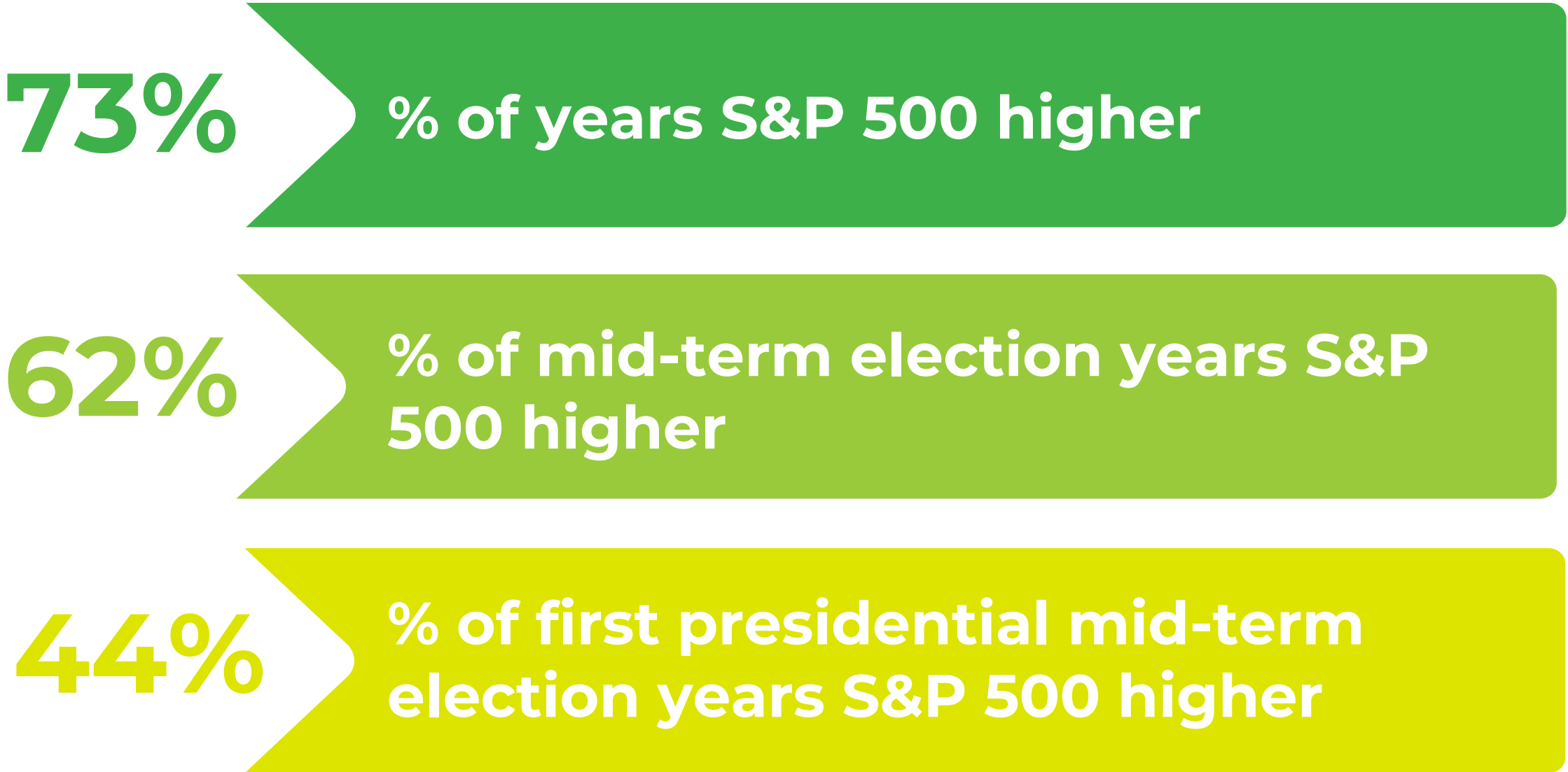
Source: Dimensional Fund Advisors.



Republicans Gain At Least 20-25 Seats & Barely Win The Senate



Historical Patterns



Average Market Drawdown in Election Cycle	
Year 1	-13.4%
Year 2	-19.0%
Year 3	-11.7%
Year 4	-13.7%

Source: FactSet, Bloomberg.

Aligning Investments With Values



Each client has a different set of priorities and values that affect how they invest. We help investors align their values with a broad spectrum of values-based investment solutions that align with the following three themes: **Avoid** (do no harm), **Embrace** (do good), and **Engage** (promote change from within).

AVOID
Negative/Exclusionary
Investment Screening



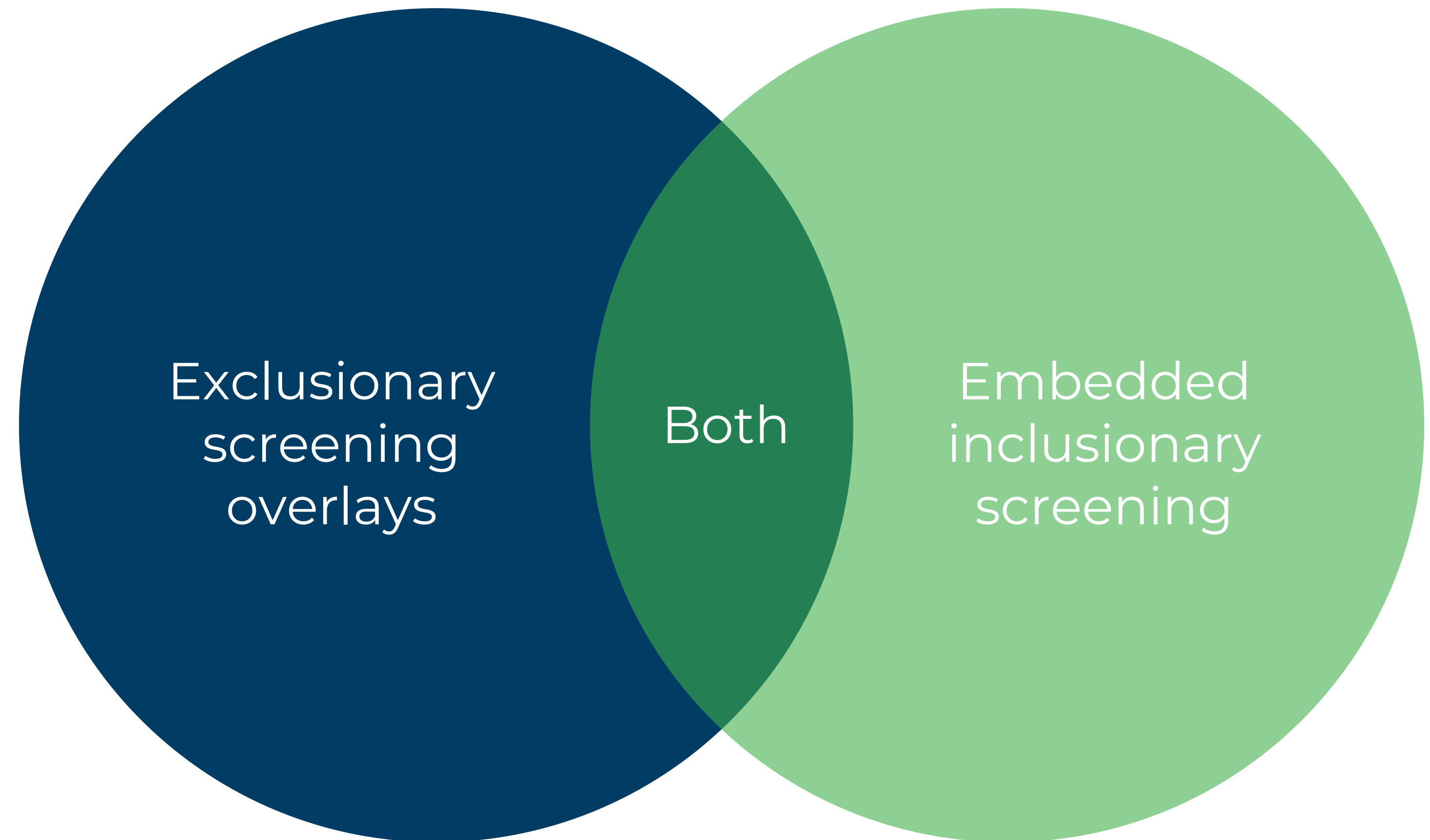
EMBRACE
Positive/Inclusionary
Investment Screening

ENGAGE
Proxy Voting, Shareholder
Resolutions, Corporate
Engagement

Incorporating Values



Values are incorporated into the investment process by either applying **exclusionary screening overlays** to the core investment strategy, **embedding inclusionary screening** elements directly within the investment process, or doing **both**.



Values-Based Report Card



Equities	Rating
Large Cap Core	AAA
Large Cap Growth	AAA
Large Cap Value	AA
Equity Market Neutral*	AAA
Global Equity Income	AAA
Covered Call Income*	AA
Small Cap Growth	A
Israel Impact	AA

Fixed Income	Rating
Core Fixed Income**	AAA
Intermediate Fixed Income**	AAA
Current Income Portfolio**	AA
Corporate Fixed Income**	AAA
Income Opportunities**	AA

*Long Only

**Corporate Bonds Only

Source: MSCI ESG Fund Ratings as of 3/31/22, based on holdings as of 3/31/22.

MSCI ESG Research LLC's ("MSCI ESG") Fund Metrics products (the "Information") provide environmental, social and governance data with respect to underlying securities within more than 23,000 multi-asset class Mutual Funds and ETFs globally. MSCI ESG is a Registered Investment Adviser under the Investment Advisers Act of 1940. MSCI ESG materials have not been submitted to, nor received approval from, the US SEC or any other regulatory body. None of the Information constitutes an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product or trading strategy, nor should it be taken as an indication or guarantee of any future performance, analysis, forecast or prediction. None of the Information can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user of the Information assumes the entire risk of any use it may make or permit to be made of the Information.

Steward Funds	Rating
Steward Large Cap Core Fund	AAA
Steward Large Cap Growth Fund	AAA
Steward Large Cap Value Fund	AA
Steward Equity Market Neutral Fund*	AAA
Steward Global Equity Income Fund	AAA
Steward Covered Call Income Fund*	AA
Steward Small Cap Growth Fund	A
Steward International Enhanced Index Fund	AAA
Steward Values-Focused Large Cap Enhanced Index Fund	AA
Steward Values-Focused Small Cap Enhanced Index Fund	A
Steward Select Bond Fund**	AAA

Crossmark Average Rating	AA+
---------------------------------	------------

10 Conclusions



01. Global economic growth will slow.

02. Peak policy rates will not necessarily cause a recession.

03. Peak inflation likely occurred in Q2, which should provide for some capital markets relief.

04. If we have a recession, it will likely be short and shallow given absence of imbalances.

05. Bonds could rally more as inflation declines, but cycle high in yields may still be ahead.

06. Stocks unlikely to make significant upward progress until earnings expectations are downgraded.

07. Sadly, cash is still king.

08. Absent recession, next twelve months may be okay for stocks.

09. Stock-bond correlation will likely turn negative if economic growth resumes.

10. Elevated uncertainty → continued elevated volatility.

Important Information



Crossmark Global Investments, Inc. (Crossmark) is an investment adviser registered with the Securities and Exchange Commission that provides discretionary investment management services to mutual funds, institutions, and individual clients. Investment advice can be provided only after the delivery of Crossmark's firm Brochure and Brochure Supplement Form ADV (Parts 2A and 2B) and Form CRS, and once a properly executed investment advisory agreement has been entered into by the client.

All Investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

Information and recommendations contained in market commentaries and writings are of a general nature and are not intended to be construed as investment, tax, or legal advice. These materials reflect the opinion of Crossmark on the date of production and are subject to change at any time without notice. Where data is presented that was prepared by third parties, the source of the data will be cited, and we have determined these sources to be generally reliable. However, Crossmark does not warrant the accuracy of the information presented.

This content may not be reproduced, copied, or made available to others without the express written consent of Crossmark.