Foresight
Capital Management Advisors, Inc.

Newsletter 3Q 2022 & Market Summary

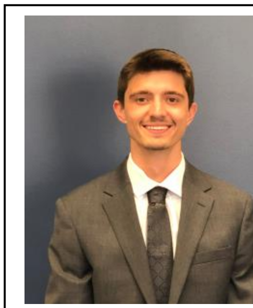
Don't Lose Hope! 2Q 2022 has continued with a persistent bear market that contracted the market to lows on June 16th of 3636.87 for the S&P 500 or a 52-week low which drove a -24.52% contraction this year. The market has rebounded a bit in July but is still down for 2022. On the backdrop of two quarters of negative GDP, an inverted yield curve while interest rates continue to rise, high inflation at 9.06%, and the Ukrainian Russian war continuing. However, there is a silver lining! The U.S. has yet to officially declare a recession but for all statistical purposes we are in a recession. This recession/bear market could continue into 2023 but will be considered a mild recession. You might ask how can it be considered a mild recession with all this bad news? Here is the silver lining: Unemployment is at an all-time low of 3.6% with more jobs available than we have workers, the consumer has slowed but is still spending, 69% of companies are beating revenue for 2Q 2022 and 75.5% beating earnings, according to Refinitiv, with the forward P/E ratio for S&P 500 now at 16.7. These are all decent silver linings which do not indicate recessionary times. The bear market has also created a silver lining opportunity in the bond market that we will discuss later in this newsletter. Foresight has continued to reduce risk in our portfolio strategies and are now in safer allocations and defensive holdings to weather the pullback with buffered drops. This market has seen all sectors drop except cash and commodities, especially oil. The Foresight Mutual Fund Model's held up decently well for 2Q 2022 and as of July 31, 2022 beating the major indices, with the average year to date returns as follows: Conservative -10.51%, Moderate -11.17%, and Aggressive -11.48% when the market indices were all down as follows: S&P 500 -12.58%, Foreign MSCI EAFE -15.22% and Aggregate Bonds -8.16%.

Welcome our employee accomplishments and newest employees at Foresight!

Jessica Osburn
Promoted to Supervisor of Para-Planning and Compliance Analyst. Her duties will include assisting in Financial Analysis and Compliance Regulation

Zarek Bratschi
Assistant Financial Analyst-Para Planner Oberlin College- BS Econ and Finance emphasis

Paul Katokwe
Financial Analyst Intern- pursuing a MBA at EMU in Finance

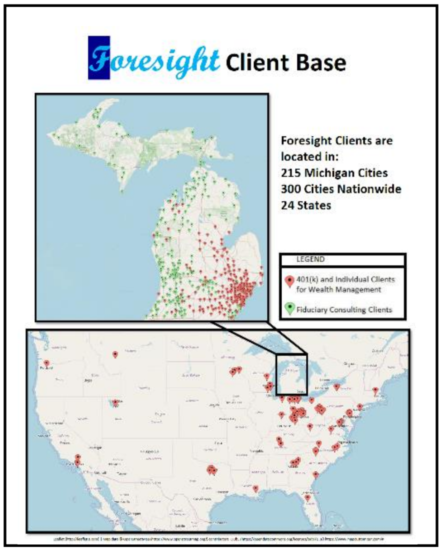


Dominic Thomas
Financial Analyst Intern- pursuing BBA Major at EMU in Finance

I-Bond Investment Idea for idle cash: With inflation at 9.06%, which is the highest inflation we have seen in 41 years, the I-Bond or Inflation Bond offered by the U.S. Treasury is something to consider as an investment for idle cash. You can buy up to $10,000 at Treasurydirect.gov. The I-Bonds are paying 9.0% interest for the first 6 months for bonds purchased through the summer up to Nov 2022! The interest resets every 6 months according to inflation in the U.S. With inflation running high this is definitely an investment to consider to offset some of the inflationary pressures we all feel in groceries, gas, and purchased goods.

Read Focusing on what you can control: Article by Patrick Carney printed in national magazine by NAPFA!

Foresight ranked as a Top RIA firm Nationally by Financial Advisor Magazine: Foresight climbed up nearly 200 spots to 482 in the 2021 ranking of RIA firms! This is based on our growth and overall performance as a firm.



FCMA Mutual Fund Model Returns
July, 31, 2022

Conservative Model	-10.51%
Moderate Model	-11.17%
Aggressive Model	-11.48%

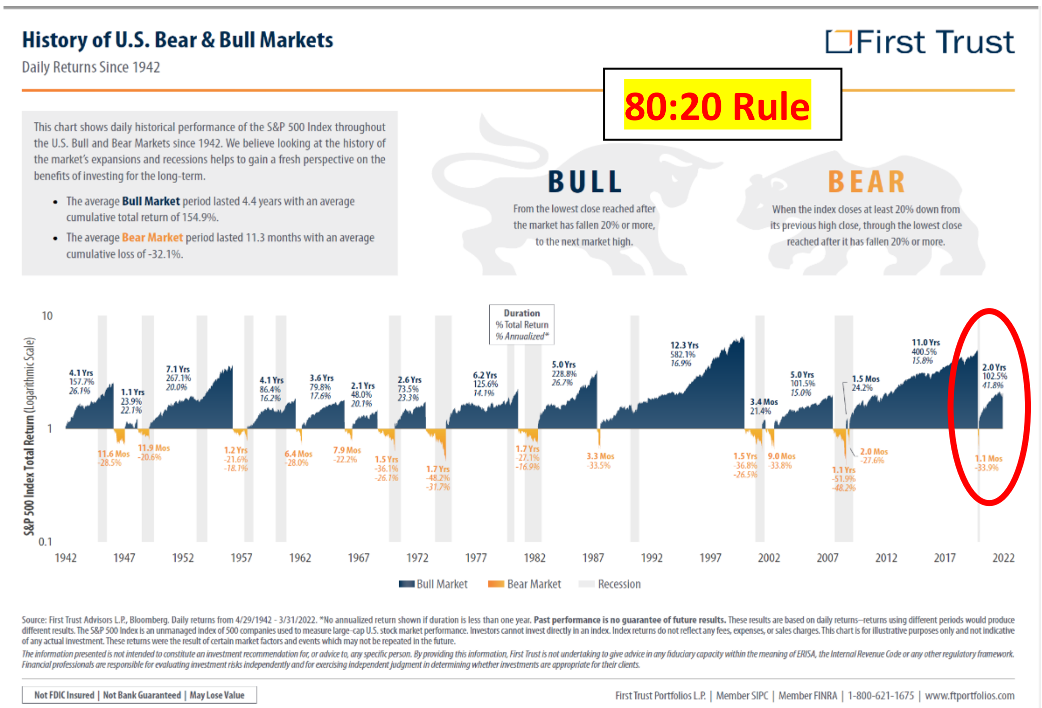
Indexes:

S&P 500 Index	-12.58%
MSCI EAFE Foreign	-15.22%
10Yr T-Bond Index	- 8.16%

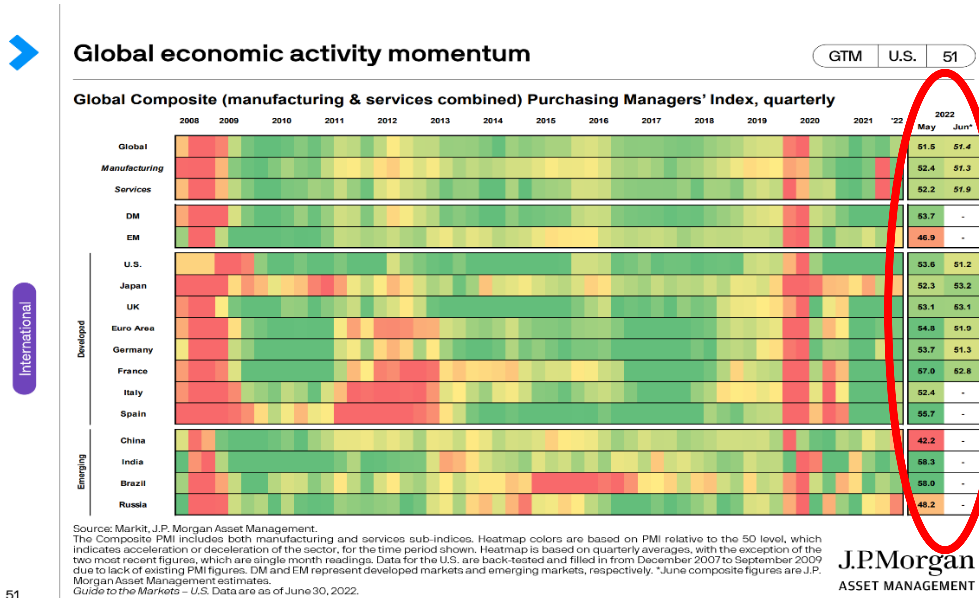
Future performance is not guaranteed; above returns are total return with reinvestment of dividends, interest, capital gains, and shown net of fees.

Foresight's Outlook and Portfolio Strategies

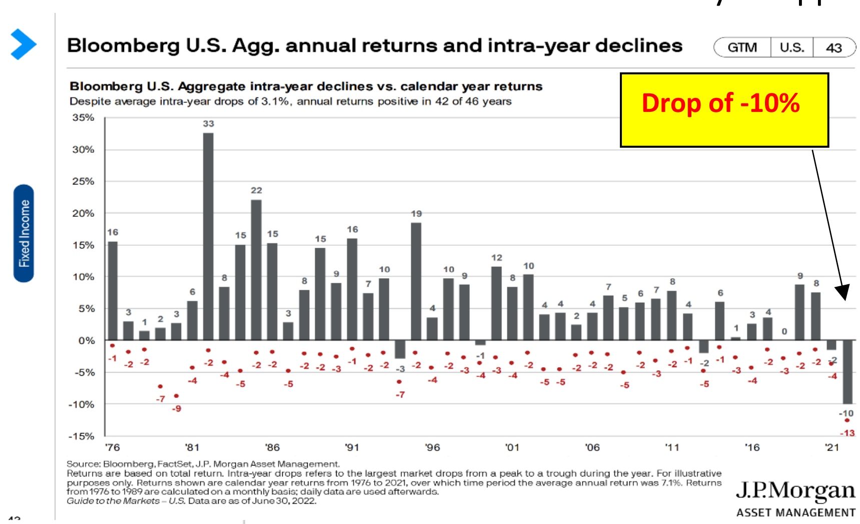
2Q 2022 continued onward with the bear market tearing through all sectors and dropping to lows on June 16th with S&P 500 down -24.52%. Thankfully July has lifted and the market is down -12.58%. Foresight de-risked the portfolio allocations during 1Q which certainly helped to stem the losses thus far and all of our mutual fund and mixed portfolios are beating the market with less losses YTD!

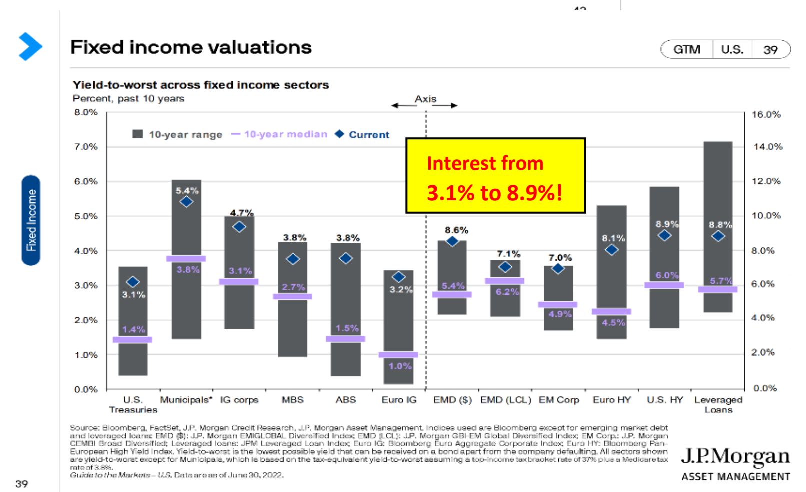


The chart to the left is a history of U.S. Bull and Bear markets dating back to 1942 or 80 years. It reminds us that the 80:20 Rule is very much in play because the blue charting represents the bull markets which means the market rose during that time which is 80% of the time. The tiny orange down charting is the 20% of the time the market was bearish or dropped. Bull markets last on average 4.4 years and rise 154.9% and Bear markets only last 11.3 months and drop 32.1% on average. None of us like to see bear markets but they cycle every 4 to 5 years and can turn into a recession. It is still believed if this bear market becomes a recession then it will be very mild and likely last less than a year. The Federal Reserve will need to carefully raise interest rates to combat inflation and not throw the economy into a pre-mature recession. Thus far they have raised rates 4 times in 2022 and now the Fed Funds rate is up to 2.25%. This aggressive interest rate rising is expected to drop inflation and most of us have seen gas prices declining and some grocers and retail stores with sales! All this is good news and the economy is responding as expected. See the chart below from JP Morgan, The PMI which is the Global Purchasing Managers' Index, shows manufacturing strong, or above a score of 50, for all nations except Emerging Markets, China, and Russia. Globally the world majority looks to be in peak industrial growth that is easing so investors will need to be selective in choosing stocks and look for managers who seek alpha or value, because stocks will continue to be more volatile. Risk Tolerance needs to be reviewed and broad diversification with both value and index equity holdings as well as bond/fixed income that can adjust to rising interest rates and short in duration will be key to success in 2022.



We promised a detail discussion on the silver lining that is occurring in the bond/fixed income market. To start please see the charts below that visually show what has happened to bonds when they dropped over -10% thus far in 2022. This has never happened over the last 40 years and it has definitely created a silver lining that Foresight is prepared to take advantage of and is implementing in your portfolios. The second chart below shows all the different types of bonds and the purple bar represents the median interest the bond has paid in the past. Notice the blue diamonds on each bar chart show the current interest or yield the bonds are paying since the big drop in bonds in 2022. All the diamonds are significantly higher than the median purple bar with interest from 3.1% to 8.9%! This is the silver lining we see occurring in the bond market since late May 2022! The bonds have steep discounts since the market dropped the -10%, which means you can now buy the





prime market bonds below their face value. This means the bonds are on sale! It is very key that you note you must buy these bonds in the prime market and actually own the bond. Mutual funds do not work like this and most mutual funds have dropped or lost money just like the market has done. However, the prime market bonds that are being purchased now are getting this benefit if they are bought as a buy and hold strategy. Foresight has discussed our "Barbell Portfolios ", with many of you. These portfolios are created for clients nearing retirement so they can sell their mutual funds and actually own prime market bonds and stocks paying dividends. These portfolios are benefitting from this silver lining! Please read our Bond Education 101 below if you would like a detail understanding of what the Discount bonds mean to your portfolio.

Contact Foresight if you would like to start a Barbell Portfolio because this silver lining will not last forever and is only seen once every 3 to 4 years when the Federal Reserve raises interest rates and the bond curve inverts. It only lasts a brief amount of time and then the bonds will adjust back to normal interest rates. Please understand the bond education is hypothetical examples to teach a concept about bonds and how they work. These are not actual results and should not be relied on to make investment decisions.

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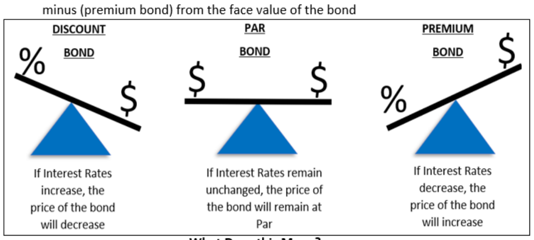
Bond Education 101

The current opportunity in today's bond market allows for the purchase of discounted prime market bonds for your portfolio. The recent correction in the bond market, along with rising interest rates, has caused this rare opportunity to buy "Discount Bonds". The goal of this bond write up is to educate you on how bonds work and for you to gain an understanding of the current opportunities. Contact Foresight if you wish to have us help create a laddered bond portfolio as part of your investment strategy.

- Bonds Face Value are sold at a $1,000, which is called "Par Value" of a bond
- Bonds pay interest to their investors as yearly income
- Bond Yield is determined by adding the interest income plus (discount bond) or minus (premium bond) from the face value of the bond



What Does this Mean?

- When you buy a bond, it is typically not at par, so that means you usually buy a bond at either at a premium or a discount.
  1. **Premium** – is a bond with a price greater than $1,000. A bond purchased at an 8% premium would cost an investor $1,080, $80 or 8% greater than the $1,000 par value.
  2. **Discount** – is a bond with a price less than $1,000. A bond purchased at an 8% discount would cost an investor $920, $80 or 8% less than the $1,000 par value.

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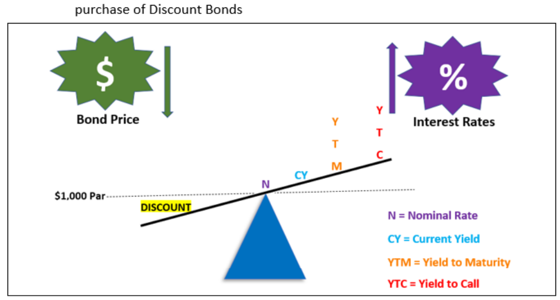
- The Yield is affected and dependent on if the investor buys a bond at a premium, discount, or par. The good news is the market has recently allowed for the purchase of Discount Bonds



1 Year Discount Bond Total Return Example

Assume you purchase an Eastern Michigan University Municipal Bond with the following details:

- Maturity: in 1 year
- Coupon (yield): 3.5%
- Par Value: $1,000
- Annual Payment Frequency

Initial buy at a discount of $920 ($80 or 8% discount from $1,000 par value)

	Year 1
Coupon (Interest) Payment:	3.5%
Gain from purchase at discount:	+ 8%
Total Gain at bond's maturity:	**11.5%**

The investor would recognize a 11.5% total gain when the bond reaches maturity.

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2 Year Discount Bond Total Return Example

Assume you purchase an Eastern Michigan University Municipal Bond with the following details:

- Maturity: in 2 years
- Coupon (yield): 3.5%
- Par Value: $1,000
- Annual Payment Frequency

Initial buy at a discount of $920 ($80 or 8% discount from $1,000 par value)

	Year 1	Year 2
Coupon (Interest) Payment:	3.5%	3.5%
Gain from purchase at discount:	+ 4%	+ 4%
Total Annual Interest Years 1 & 2:	7.5%	7.5%

Total Gain at bond's maturity for 2 years: 15% = (7.5% + 7.5%)

The investor would recognize a 15% total gain when the bond reaches maturity. 7.5% the first year and 7.5% the second year when the bond matures.

4 Year Discount Bond Total Return Example

Assume you purchase an Eastern Michigan University Municipal Bond with the following details:

- Maturity: in 4 years
- Coupon (yield): 3.5%
- Par Value: $1,000
- Annual Payment Frequency

Initial buy at a discount of $920 ($80 or 8% discount from $1,000 par value)

	Year 1	Year 2	Year 3	Year 4
Coupon (Interest) Payment:	3.5%	3.5%	3.5%	3.5%
Gain from purchase at discount:	+ 2%	+ 2%	+ 2%	+ 2%
Total Annual Interest:	5.5%	5.5%	5.5%	5.5%

Total Gain at bond's maturity for 4 years: 22%

The investor would recognize a 22% gain when the bond reaches maturity. 5.5% each year the bond is held until its maturity date.

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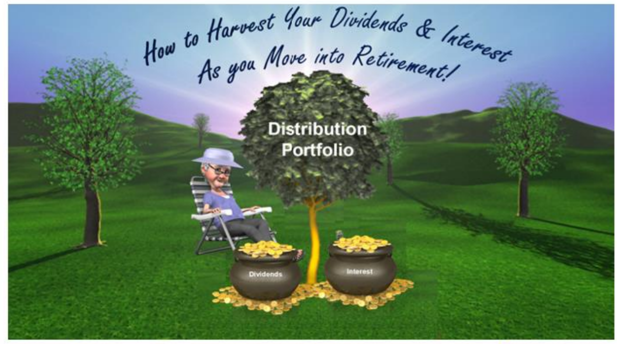

Any of these 3 scenarios of maturities are great bond returns!

If you are interested in starting a distribution portfolio at Foresight, or have any questions about how bonds work please give us a call. It is a great time to consider investing in a portfolio that holds prime market bonds!

Foresight Capital Management Advisors, Inc.

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Email: Lstegenga@fcmadvisors.net

Email: PCarney@fcmadvisors.net

Foresight has and is moving the portfolios back to their normal risk level allocations of 60:40 for Moderate, 50:50 for Conservative, and 70:30 for Aggressive, we have reduced the equity slightly because of the persistent bear market and high inflation. We are watching the market carefully and positioning your funds to be able to ride through this rough time with a buffered downside. It is a wait and see time period so we have decided to play it safer with less risk. Broad diversification favoring both value and indexing is the focus of all the Foresight portfolios at this time. We see opportunities in U.S. large value stocks, infrastructure, prime market bonds, and some foreign large value. For Individuals who have personal portfolios with Foresight we continue to monitor the stock portfolios weekly using stop-losses and have been purchasing discount bonds with excess cash. Foresight has built out the laddered bond holdings this quarter as more discount bonds have become available in the market. These have been opportunities to add great interest paying bonds and add stability to the portfolio to help weather the volatility in the market. Please call or email if you have any questions or would like to review your portfolios.

Lastly, Patrick Carney was interviewed by the NAPFA, an organization for fee-only advisors, and has a wonderful article in their national magazine. I encourage you to read it as it fully describes the importance of a young financial planner's mission and goals to help clients. He did an excellent job in the interview and we are very thankful to him for taking the time to complete this effort. Then Foresight was ranked in the Financial Advisors Magazine and is ranked in the Top 500 advisors nationally and in the top 150 advisors in Michigan! Have a very nice summer and remember to "Not Lose Hope" because this bear market will pass!

Foresight Planning Ideas

IRS Contribution Limits - Some Increases for 2022: The IRS has released the new 401(k),403(b), and 457 savings limits for 2022 to increase to $20,500 deferral max and for 50+ $27,000 deferral. Total Savings limits for deferral, match and profit sharing has risen to $61,000 and if 50+ $67,500. IRA or Roth savings limits remain the same at $6,000 and if age 50+ $7,000. HSA savings limits rise in 2022 for single $50 up to $3,650 and for family up $100 to $7,300 and if 55+ up to $8,300. HSA limits rise again for 2023 single $3,850, family $7,750 and age +55 up to $4,850 for single and $8,750 for family.

Foresight Ranked in the Top RIA firms nationally: as 482 for this year's magazine participants out of a possible 23,408 firms nationally, we also rank 128 out of 3669 for the State of Michigan. We are extremely pleased with this standing and have risen nearly 200 in ranking since a year ago! Our hard work on your behalf will continue to show our investment philosophy is working.

Patrick Carney's Article with NAPFA organization: Visit the site below to read Patrick's article! Learn what his journey has been as a young financial planner and the satisfaction he gets from helping clients reach their investment goals.

PRACTICE PROFILE

Print this Article

Focusing on what you can control

Patrick L. Carney of Foresight Capital Management Advisors

By Bridget McCrea

As a young fee-only professional, 28-year-old Patrick L. Carney knows that people are going to assess and interact with him differently than they would, say, an advisor with 10-plus years of experience in the profession. This reality doesn't bother the director of personal wealth management at Foresight Capital Management Advisors in Saline, MI, but it has pushed him to accelerate his education and learn as much as he can about financial planning.

"One thing that's very difficult for new advisors in general is getting started and gaining the respect of current and prospective clients. A lot of people come to us looking for an advisor who has a vast array of experience, education, and knowledge," says Carney. "When you're first starting out, you don't have that decade—or multiple decades—of experience that many clients are looking for."

Carney says he stopped worrying about things he couldn't control (e.g., his age, years of career experience, and similar measures) and instead has been working hard over the last six years to earn certifications that position him as a high-level fiduciary. So far, he's earned his CFP®, AIF®, and CIMA® credentials, the last of which he attained by completing the education requirements at the Yale School of Management.

Visit this site to read the whole article:
https://www.naylornetwork.com/napf-nwl/articles/index.asp?aid=734769&issueID=94950

The Chips Act: recently passed in the Senate andCongress as law and is expected to expand domestic semiconductor manufacturing research and development and add about 90,000 jobs. This act will ramp up over the next five years and allow America to become a world leader in semiconductors. This law was supported as a bipartisan bill and passed in the Senate first. Ohio will be one of the first states to benefit from an announcement from Intel to build a world state of the art facility and is expected to create 10,000 jobs. We will keep you updated as this progresses.

PEP-Pooled Employer Plans: Foresight now offers 401(k) plans for small businesses under the new SECURE Law that introduced PEP Plans to all small businesses. No matter what size your company is with employees from 1 to 100 can join a PEP plan and offer 401(k) savings limits to your company employees! The PEP offers economy of scale and keeps the cost extremely reasonable for all members of the PEP. Please call us today for more information on how to join the new PEP 401(k) plans and offer your employees a new benefit!

I-Bond Investment Idea: With inflation running at 7%, which is the highest inflation we have seen in 40 years, the I-Bond or Inflation Bond offered by the U.S. Treasury is something to consider as an investment for idle cash. You can buy I-bonds from $25 up to $10,000 maximum at Treasurydirect.gov and up to an additional $5,000 in paper bonds with your income tax refund, however you need to file a form 8888 if you wish to invest your IRS refund in an I-Bond. The I-Bonds are paying 7.12% interest for the first 6 months for bonds purchased through April 2022! The interest resets every 6 months according to inflation in the U.S. The interest you earn is federally taxed but you do not pay state or local taxes on this interest. You must hold the bond for at least 1 year and if you cash it in before 5 years you will lose only 3 months of interest as the penalty. So consider if you receive 7.12% from Jan to July 2022 and then the interest resets in July 2022 at 5% the average interest you would receive for the year is 6.06%! Now compare that to money market interest rates or one year CD's in the banks which are averaging .15% to .75% according to Bankrate.com. The I-Bond looks to be a real winner, especially with inflation running high this is definitely an investment to consider to offset some of the inflationary pressures we all feel in groceries, gas, and purchased goods. Visit Treasurydirect.gov to learn more and open an account if you wish to purchase an I-Bond.

HSA-Health Savings Plans: Foresight now offers HSA investment plans with debit cards and investment growth for your health care savings accounts. Most employers are now offering HSA plans with your health benefit plans to keep costs reasonable, but the HSA plan attached to the benefit does not allow for you to invest your HSA account and the funds just set in a bank account. The Foresight HSA can be opened, in addition to your employer HSA, and allows you to invest your HSA in our Foresight Models just like we have for our 401(k) plans or mutual funds clients. Any unused HSA balance you have can be easily transferred to a Foresight HSA and made into an investment portfolio while keeping the minimum at your employer for use with your debit card! Then if you need funds put on your debit-card we can simply move funds to the debit card as needed. In the meantime, your HSA is growing and can be saved for healthcare in retirement too! Contact us for more information, 877-429-4690.

A New Idea! Charitable Remainder Trusts-CRT to Stretch Inherited IRAs for your beneficiaries: Meriline & Meacham, PA attorneys at law article, Jan 10, 2022, With proper planning, a charitable remainder trust can replicate a "stretch" IRA. Here's how it works according to Meriline and Meacham's article: You provide in your estate plan that on your death an IRA will be transferred to a CRT. This is an irrevocable trust that pays out a percentage of its assets to your children or other beneficiaries for life (or for a term of up to 20 years) and then distributes its remaining assets to one or more charities. A CRT is a tax-exempt entity, so any assets you contribute to the trust -including IRAs- aren't subject to tax unless they're distributed to noncharitable beneficiaries. The longer distributions can be stretched out, the closer a CRT comes to replicating a stretch IRA. It's important to note, however, that the trust's ability to do so depends on the age of your beneficiaries when you die. Contact us for more information.

CEPA- Certified Exit Planning Analysis Services: Foresight is now certified to provide exiting planning valuations for businesses and owners. Our firm is also prepared to assist with implementing business improvements to assist with increasing the value of your business prior to an exit or retirement. If you are interested, or know of someone who is interested, in pursuing services in this area please reach out to Foresight at 877-429-4690.

Last Pass App: Allows you to enter your Passwords in the application on your cell phone. The app allows you to assign Masters (people) who can enter the app and obtain the information if you pass away. Masters would be given the information to access your cell phone and this app to obtain the critical information needed. This is an app worth looking into as a safekeeping vault for all your passwords and user id logins.

Millennials: Have reached the age of 40. Millennials are now the largest % of the population, the most educated, and the most diverse group. This group will continue to drive the market and economy for years to come as they enter their highest earning years. Foresight has expanded our Speculative Portfolio which invests in future growth areas of the market. This portfolio is not for everyone, but especially millennials who have many years to let a portfolio grow, may find this a great opportunity. If you are interested in learning more about this please email us at consultant@fcmadvisors.net.

Topics Covered:

- Holistic Approach to Finances
- Life Coaching
- Behavioral Finance
- Monte Carlo Simulation
- High Touch Services
- The Ultimate Balancing Act

Foresight released our new Whitepaper in May 2022!

Focused on the many financial planning areas a young professional should strategically work into their overall lifestyle. When this is organized and addressed at a young age the young professional can successfully launch their career, start a family, pay off student debts and plan for their future! We walk through the Foresight holistic approach to financial planning in this new whitepaper that will be a must read for most career minded professionals. The sooner you read this whitepaper the more settled you will be as you begin the journey in your career.

On-line Access: Each year we encourage everyone to test your on-line access to your account(s) at the custodian or third-party administrator for your plan. Please visit Journeyrps.com, Definiti.com, or Sentinelgroup.com retirement participant. For individual clients at TD Ameritrade access Advisorclient.com for Schwab Institutional Clients access Schwaballiance.com. Please note Schwab has purchased TD Ameritrade and beginning this fall all TDA clients will be contacted with new Schwab access and account number information. All your TDA information and setup will transfer over to Schwab. We will contact you when it is your time to access your accounts on the Schwab.com website. To access your web portal for individual accounts, go to https://fp.morningstar.com. If you have any difficulty accessing your account, please email or contact us.

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3Q 2022 Newsletter

Market Update
(all values as of 06.30.2022)

Stock Indices:

Dow Jones	30,775
S&P 500	3,785
Nasdaq	11,028

Bond Sector Yields:

2 Yr Treasury	2.92%
10 Yr Treasury	2.98%
10 Yr Municipal	2.75%
High Yield	8.88%

YTD Market Returns:

Dow Jones	-15.31%
S&P 500	-20.58%
Nasdaq	-29.51%
MSCI-EAFE	-20.97%
MSCI-Europe	-22.30%
MSCI-Pacific	-18.29%
MSCI-Emg Mkt	-18.78%
US Agg Bond	-10.35%
US Corp Bond	-14.39%
US Gov't Bond	-11.05%

Commodity Prices:

Gold	1,806
Silver	20.20
Oil (WTI)	106.36

Currencies:

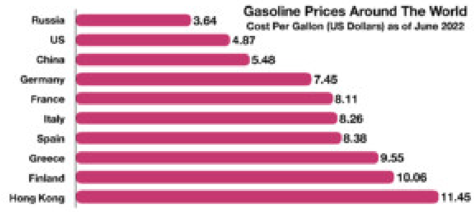
Dollar / Euro	1.04
Dollar / Pound	1.21
Yen / Dollar	136.09
Dollar / Canadian	0.77

Macro Overview

Attention has shifted from inflation to recession as housing, wages, interest rates, commodities, and consumer expenditures have all receded from their highs, an indication to economists that an economic slowdown or recession may be evolving. Numerous countries worldwide are restricting the export of food, adding to global supply constraints already causing shortages and hunger in various third-world countries. Such restrictions, which have been exacerbated by the invasion of Ukraine, are considered a form of food protectionism. The EU imposed a partial ban on crude oil imports from Russia in response to the invasion of Ukraine. With energy prices already soaring in Europe, the ban is expected to cause even further inflationary pressures throughout the European region. Consumers may not notice the price difference between gasoline and diesel at the pump, yet they will be indirectly affected by higher prices as transportation costs are passed along to consumers. Diesel is the primary fuel for railroads and trucking, which transport the bulk of consumer goods nationwide.

Equity indices had their worst first six months in decades, with the Dow Jones, S&P 500, and Nasdaq averages all posting negative returns. Elevated labor and material costs, recessionary concerns, and an increasingly faltering sentiment have fostered downward momentum. Russia missed payment on its government bonds in late June, which is considered a default by the international bond market. The last time Russia defaulted on its debt was in 1917, during the Russian Revolution. As a reminder, the Russian Revolution saw the abolition of the Russian monarchy and the beginning of Russia's communist regime, a huge turn for the nation.

The Federal Reserve Bank of Atlanta estimates Gross Domestic Product (GDP) with a model it has been utilizing for years, with a very low average tracking error of just -0.3. The model, known as GDPNow, estimates GDP for the second quarter of the year at negative 2.1%, following another negative 1st quarter GDP of 1.6%. Many economists consider two consecutive quarters of negative GDP as indicators of a recessionary environment. Fed Chairman Jerome Powell said that the risk of a recession is heightened as rates continue to move higher, stating that a recession is not the Fed's "intended outcome", but that it is "certainly a possibility." Some companies over the past few weeks have also announced hiring freezes and layoffs in response to slowing economic activity. Fortunately, the cutbacks have so far been limited to a few industries including technology, mortgage lending, and popular pandemic-era companies. Various companies are believed to have over-hired during the past two years when growth was more prominent and costs were still contained.



Gasoline prices eased a bit this past month with the national average for a gallon of regular gasoline falling to $4.87 at the end of June, down from $5.00 earlier in the month. As pricey as gasoline may seem, gasoline prices can be much higher in other countries, such as in Hong Kong where consumers are paying upwards of $11 per gallon. Sources: The Federal Reserve Bank of Atlanta, EuroStat, EIA, S&P, World Food Programme)

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THE DOW JONES INDEX SUFFERED ITS WORST SIX MONTHS SINCE 1962

Equity Indices Have a Rough First Half – Domestic Equity Overview

Equity indices have had a difficult first half of the year, their worst in decades. The S&P 500 Index had its worst first half in over five decades, the Dow Jones Index suffered its worst six months since 1962, and the Nasdaq had its worst first six months ever.

Energy was the only positive sector in the S&P 500 for the first six months, while the other ten sectors including health care, financials, communications, and real estate were negative. Consumer discretionary and technology sector stocks were among the worst-performing sectors, with consumer staple stocks among the better performers.

Second-quarter earnings, due for release in July, are expected to reveal how company profits fared with exceptionally elevated material and labor costs earlier in the year. Analysts are also sensitive to a growing consensus expecting a recessionary environment before the end of the year.

Sources: Bloomberg, S&P, Reuters, Dow Jones

Yields Hold Steady Until Fed Decides – Fixed Income Update

The yield on the 2-year Treasury bond fell to 2.84% on July 1st, the biggest drop since March 2020. Yields on the 5, 10, and 30-year Treasury bonds also fell, indicative of deflationary trends.

Many analysts expect the Fed to raise short-term rates at least once more by 75bps in July, with a possible pause thereafter. Some are even projecting the Fed to reverse course and start easing rates in 2023 should the economy fall into a recession. (Sources: Treasury Dept., Federal Reserve)

What is ESG – Socially Conscience Investing – Part 1 of a 3 Part Series

As an investor, deciding what company to invest in can be daunting. ESG investing can significantly influence and improve financial choices, but what really is it? Firstly, ESG stands for Environmental, Social, and Governance. These are three aspects of companies that could be crucial to making intelligent investments. ESG Investing is the financial philosophy where investors inspect these non-traditional aspects of companies, an approach that has increasing popularity, and in some cases, success.

Environmental, social, and governance (ESG) have become focal points for companies, analysts, and investors. The evolution of ESG has created a growing awareness among the public about how companies formulate criteria for socially conscious decisions.

For decades, analysts and financial advisors determined how well companies were performing by their earnings and revenue growth. ESG now injects a more subjective, non-traditional metric into how well companies are being managed for the future impact of the environment and social consciousness.

Recent global events including the invasion of Ukraine by Russia and global warming trends have compelled governments in Europe, Asia, and the U.S. to re-examine their energy initiatives as well as mandates for corporations. Companies today are starting to be measured by how well they apply ESG formats and follow their success. As a result, asset managers, mutual funds, ETFs, and advisors are introducing portfolios and screening methods that identify which companies are implementing and adhering to ESG guidelines.

Source: Staff Editorial

Foresight

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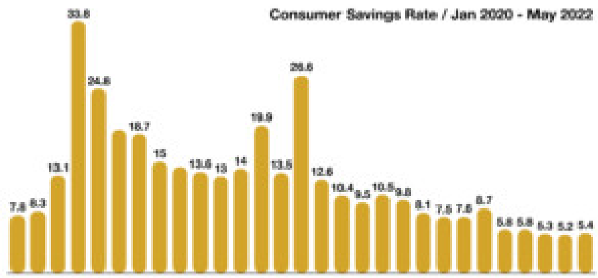
INFLATION RATE OF 7.6% FOR THE CPI-E IS LOWER THAN THE 8.6% RATE FOR THE CPI

Upper Earners Hold Most Savings On Hand – Consumer Behavior

Consumers are now saving less than before the pandemic, as stimulus assistance funds and generous unemployment benefits have gradually evaporated, encouraging consumers to tap their savings at an accelerating pace. The drop in savings has been especially prolific for those nearing retirement. As markets have pulled back, so have retirement fund values, elongating the retirement threshold for many.

Savings rates rose dramatically in 2020 as billions of dollars in stimulus relief payments made their way into consumer accounts. Federal Reserve data found that households spent only 40 percent of their payments, used 30 percent to pay down debt, and saved about 30 percent on the initial round of stimulus payments. The spectacular rise in the savings rate to nearly 34 percent in April 2020 was a validation of how much of the payments went towards savings.

As additional relief programs along with generous unemployment benefits became effective, the savings rate remained elevated through the end of 2021. The most recent data show that the savings rate dropped to 5.4 percent in May 2022, lower than where it stood at roughly 7.5 percent before the pandemic began.



A Fed analysis found that lower-income households tend to spend most if not all of their income and end up having very little disposable income at the end of each month. Most lower-income households have already depleted their pandemic surplus funds in savings and are also being squeezed by inflation as food and energy prices continue to escalate. This has led to upper-income earners holding the most savings on hand, while lower-income savings begin to dwindle. (Source: U.S. Bureau of Economic Analysis, St. Louis Federal Reserve Bank, Marginal Propensity to Consume Working Paper; Federal Reserve Bank of Boston)

Inflation Can Be Different For Those Over 62 – Retirement Planning

Data compiled by the government via the Bureau of Labor Statistics (BLS) maintains a separate tally of inflation for people over 62. The rarely heard index, known as the CPI-E, is a variation of the traditionally recognized CPI (Consumer Price Index), but with an emphasis on goods and services mostly used by those over 62 years of age. This past month, the recent release of the CPI-E and the CPI revealed an inflation rate of 7.6% for the CPI-E versus an 8.6% rate for the traditional CPI over the past year.

The CPI-E assigns a larger weight to senior-related expenses such as medical services and housing, and a lesser proportion to education and transportation. The index was first created in 1987 when Congress directed the BLS to assist in identifying inflationary pressures among senior citizens. The index currently represents roughly 25% of all U.S. consumers. (Source: BLS)

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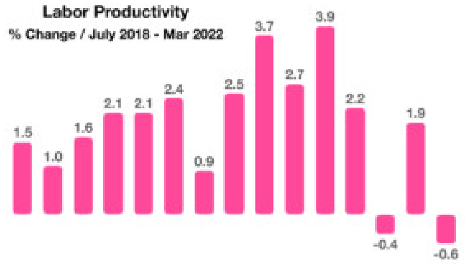
ESTONIA AND LITHUANIA HAVE SEEN INFLATION EXCEED 20%

What Falling Labor Productivity Means – Labor Market Overview

The most recent data released by the Labor Department revealed the largest quarterly drop in productivity since 1947, decreasing at an annualized rate of 7.5%. The drop in productivity was concurrent with the largest rise in labor costs since 1982. Both of these measures are also indicators of inflationary pressures for both companies and consumers. Many companies have been passing along higher costs to consumers, but can only do so for so long until competition forces companies to hold prices steady and absorb higher costs. This can also lead to decreased levels of hiring and lower wages as companies struggle to maintain profitability levels.

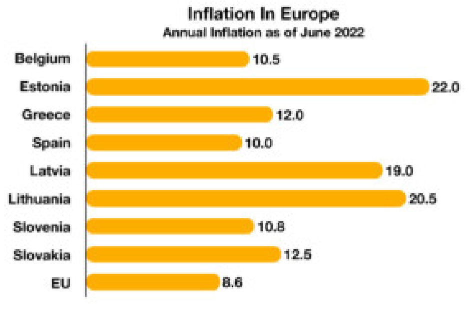


Data surrounding labor during the pandemic has been considered unreliable and inconsistent by many economists, meaning that the true effects of the COVID-19 pandemic and worker retention are still not certain. An essential data set is labor productivity, which is a measure of how efficiently companies are utilizing workers to produce products and services. This past month, the largest fourth quarter drop in labor productivity since 1993 was observed, according to the Bureau of Labor Statistics, marking a historic decline in productivity.

Federal Reserve survey results, reported in the Fed's Beige Book, have identified that a growing number of manufacturers and industrial companies are increasingly moving towards automation, replacing previously desired workers with robotic gear. Rising wages and a dwindling labor pool have forced some companies to resort to machines instead of hiring workers. (Sources: Labor Department, Federal Reserve Beige Book; https://www.federalreserve.gov/monetarypolicy/files/BeigeBook_20220601)

Inflation Varies From Country To Country In Europe – European Inflation

A tremendous surge of inflation has encompassed European countries as a result of the Russian invasion of Ukraine. Essential energy and food products that have for years been imported from Russia and Ukraine have elevated overall prices throughout Europe. Natural gas, petroleum, and numerous energy products have risen roughly 42% in the past year, hindering economic growth and consumer sentiment in the 27-member European Union (EU).



Overall inflation for the 27 countries making up the EU rose 8.6% in the past year, essentially identical to the inflation rate in the United States. The Harmonised Index of Consumer Prices, which measures inflation in the EU, saw the EU's inflation rate reach its all-time high in May of this year at 8.8%.

This figure is more than four times the EU's average inflation rate from 2000 to 2022, which was at a stable 2.03% and even reached lows of -0.6% in 2015. Inflation has also been exceptionally harsh for Estonia and Lithuania, where inflation has exceeded 20%. Supply constraints, energy costs, and imported foods have been among the primary drivers of inflation in the EU.

Source: Eurostat; https://ec.europa.eu/eurostat/documents/2995521/14644614/2-01072022

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