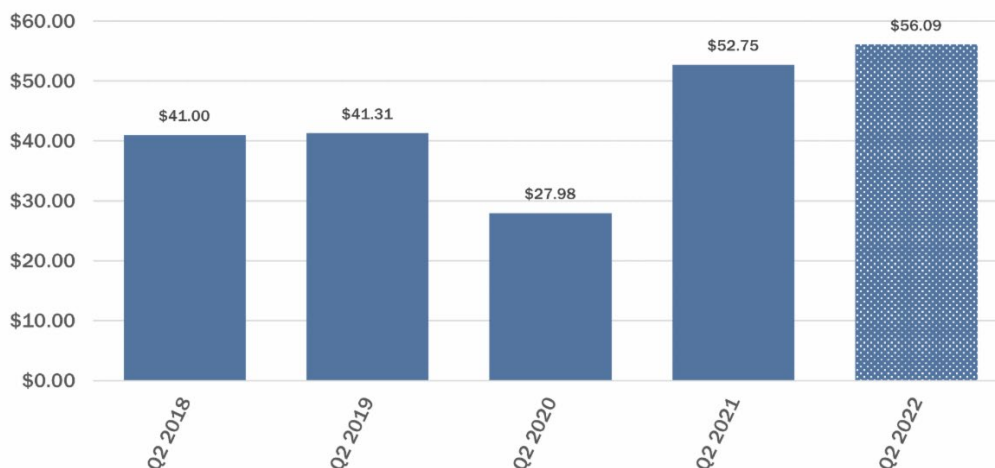


## MARKET COMMENTARY

**Fig. 1: S&P 500 Second Quarter Corporate Earnings**



*Source: Yardeni, FactSet, Mill Creek.*

Equity investing is inherently risky particularly around earnings season because as legendary investor, Benjamin Graham, was quoted as saying “in the short run, the market is a voting machine, but in the long run, it is a weighing machine.” Being patient, long-term capital is especially important as market volatility is likely to persist at least through the November mid-terms or until the Fed slows the pace of its rate hikes. Headline earnings for the S&P 500 have been better than expected showing year-over-year growth of around 6.7% despite it being a difficult comparison period versus the second quarter of 2021 when earnings grew nearly 90% versus the same period of 2020 during Covid. Higher inflation, continued supply chain issues, labor shortages, and the ongoing conflict in Ukraine have been frequently cited as headwinds by management teams during their earnings calls.

While higher interest rates may have cooled the housing market, the consumer remains relatively healthy and has largely shifted spending from goods to services. Demand for travel, despite the headaches, is robust and is reflected in 2Q earnings where the airline industry generated an estimated \$3 billion profit versus a \$3 billion loss compared to one-year ago and the EPS growth rate in the hotel, restaurants, and leisure sector is up over 2,000% year-over-year. The energy sector has been the largest contributor to EPS growth this quarter as commodity prices are up significantly year-over-year. Meanwhile, the financials sector is the largest quarterly detractor thus far due to concerns about a potential recession. The banks have set aside large provisions for loan losses due to higher interest rates and slowing growth.

## QUICK LINKS

- [August Update: Recession?](#)
- [What an Inverted Yield Curve Could Mean for US Economic Conditions?](#)
- [Updating Our Capital Markets Assumptions](#)
- [What Did 1Q 1980, 2Q 1984, and 2Q 2022 Have in Common?](#)

## INDEX RETURNS

Index Returns	One Week	Year to Date	1 Year	3 Years	5 Years	10 Years
Global Equities	0.3%	-14.3%	-11.1%	9.4%	7.8%	9.2%
US Equities	0.7%	-13.1%	-7.5%	13.4%	12.3%	13.4%
Large Cap US	0.7%	-13.0%	-7.1%	13.7%	12.7%	13.6%
Mid Cap US	0.7%	-13.2%	-9.9%	10.3%	10.0%	12.1%
Small Cap US	2.7%	-17.4%	-18.5%	10.0%	9.5%	11.8%
US Growth	1.6%	-18.3%	-12.1%	16.3%	15.9%	15.6%
US Value	-0.2%	-7.4%	-2.7%	9.6%	8.2%	10.8%
International Equities	-0.6%	-16.1%	-15.8%	3.8%	2.4%	5.4%
Emerging Market Equities	1.0%	-17.0%	-20.3%	3.0%	0.9%	2.7%
US Taxable Bond Market	-1.0%	-9.1%	-9.7%	-1.0%	1.0%	1.6%
US Municipal Bond Market	-0.1%	-3.8%	-4.2%	0.3%	1.5%	1.9%
Hedge Funds	0.2%	-4.3%	-4.2%	3.1%	1.9%	1.9%
Diversified Commodities	-3.2%	18.5%	24.1%	15.5%	8.0%	-1.4%
Gold	0.5%	-2.6%	1.1%	5.9%	7.2%	1.0%
<b>Key Rates (as of stated date)</b>						
US 10-Year Treasury	8/8/22	12/31/21	8/8/21	8/8/19	8/8/17	8/8/12
Barclays Aggregate Bond Index	2.8%	1.5%	1.3%	1.7%	2.3%	1.6%
BBarc Muni 1-10Yr Blend (1-12) Index	3.6%	1.8%	1.4%	2.3%	2.5%	1.8%
	2.2%	0.7%	0.5%	1.3%	1.6%	1.4%

Source: Bloomberg, Mill Creek. Returns for periods greater than one year are annualized. Index rates are yield to worst.

Indices used to represent periodic capital markets returns include MSCI ACWI (Global equities), Russell 3000 (US equities), Russell 1000 (Large Cap US), Russell Mid Cap US (Mid Cap US), Russell 2000 (Small Cap US), Russell 3000 Growth (US Growth), Russell 3000 Value (US Value), MSCI EAFE (International Developed), MSCI Emerging Markets Index (Emerging Markets Equities), Bloomberg Aggregate Bond Index (US Taxable Bonds), Bloomberg 1-10 Year Municipal Bond Index (US Municipal Bonds), HFRX Global Hedge Fund Index (Hedge Funds), Bloomberg Commodity Index TR (Diversified Commodities), and Gold Spot Price (Gold).

The historical index performance results are provided exclusively for comparison purposes over various time periods only. It is not possible to invest directly in an index. Index performance does not reflect any management fees, transaction costs, or other expenses that would be incurred by a portfolio or fund, or transactions in fund shares. Such fees, expenses, and commissions would reduce returns. It should not be assumed that any account holdings will correspond directly to any comparative index reflected herein.

**This week's contributor:** Sam McFall, CFA, CAIA

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