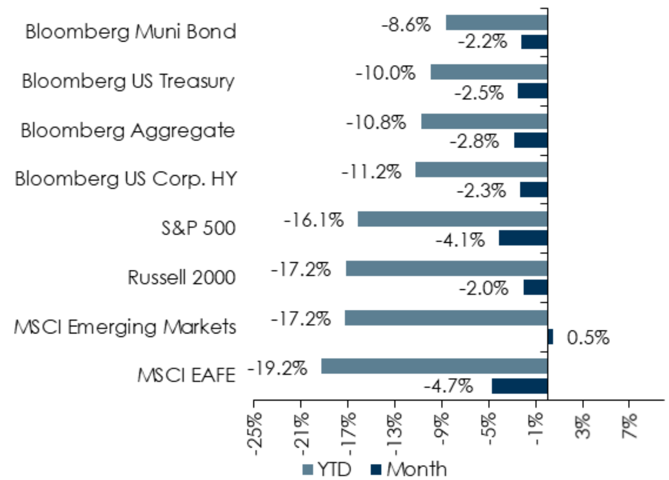
Economic Overview

- **Inflationary pressures slowed as US Headline CPI eased to 8.5% vs. prior month's 9.1%**
- **Labor markets remained tight with unemployment declining to 3.5% and nearly 2 job openings per every job seeker**
- **Hawkish messaging from the Fed cooled the summer rally, with Chairman Powell stressing the importance of acting forcefully against inflation**

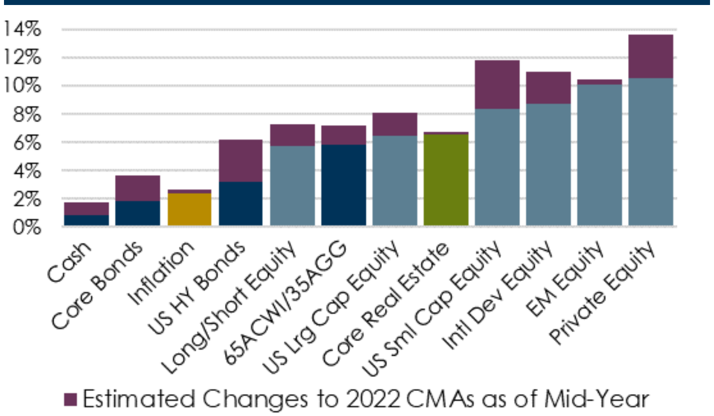
Market Returns

- Rates moved higher as markets adjusted Fed expectations
- Most risk assets declined; emerging markets outperformed



Source: Bloomberg, ACG Research (as of 8/31/2022)

Market Moves Y-T-D Enhance 10-Year Return Potential



Asset Class Valuations

- Equities still favored over bonds
- Equity valuations favor US Small Caps
- H.Y. bonds, R.E. provide an inflation hedge

	Current Fwd P/E	Historical Avg P/E	Current Avg Ratio
S&P 500	16.7	15.8	1.1
R2000	19.2	22.6	0.8
MSCI EAFE	11.8	13.4	0.9
MSCI EM	11.1	11.6	1.0

	Current Yield	Historical Avg Yield	Current Avg Spread
3-month T-Bill	2.9%	4.1%	-1.2%
10-year UST	3.2%	6.0%	-2.8%
Bloomberg Agg	4.0%	6.3%	-2.3%
High Yield	8.4%	9.6%	-1.2%

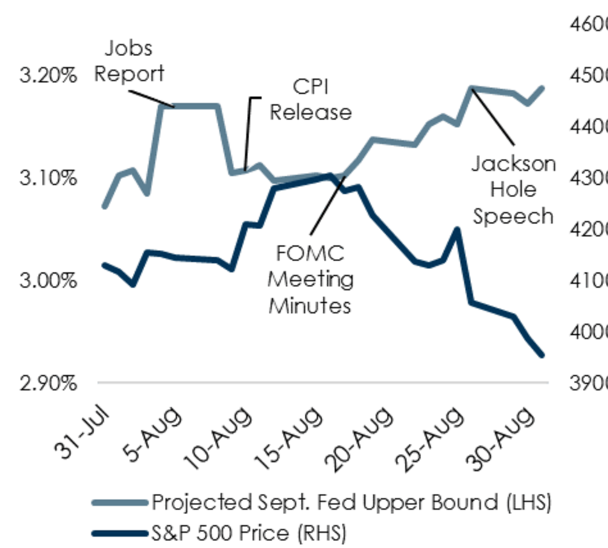
Core R.E.	3.9%	5.8%	-2.0%
Core Inflation	5.9%	3.6%	2.3%

Undervalued | Fairly Valued | Overvalued

Key Risk Factors We Are Watching

- Inflation and pace of consumer spending
- Tightening financial conditions
- Downward revisions to corporate earnings
- Ongoing geopolitical tensions
- Coronavirus variants
- Regulatory policy shifts (US and China in particular)

Market Sentiment Declined as Fed Turned Hawkish



Source: Bloomberg, CME Fedwatch

Recent Articles (click on links below)

- Real Estate in a Rising Rate Environment (July)
- Rates, Inflation, and US Dollar (June)
- Fixed Income Drawdown (June)

Upcoming Articles / Webcasts

- Mid-term Elections

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