Investment Commentary

June 30, 2022

Financial Markets

Stocks, like most financial assets, sold off sharply during the second quarter, with the S&P 500 Index losing 16.1%. The Index also officially entered bear market territory after falling more than 20% from its early January highs. Rising interest rates impacted performance among stocks. So-called "growth" stocks, whose inherent value lies more in their future profits and growth thereof, are especially sensitive to interest rate changes and were disproportionately punished relative to "value" stocks. Yet, virtually all stocks – regardless of underlying business attributes – moved lower as investor sentiment waned in response to the increasing likelihood of recession.

Standard & Poor's 500	-16.1%	-20.0%
Russell 2000®	-17.2%	-23.4%
MSCI World Ex-US	-14.7%	-18.8%
MSCI Emerging Markets	-11.5%	-17.6%
Bloomberg Gov't/Credit	-5.0%	-11.0%
90-Day Treasury Bill	0.1%	0.2%

economic risks. All told, the Bloomberg Government/Credit Bond Index lost 5.0% during the p
to-date losses into double digits.

Overseas markets have participated in the decline as well; MSCI's Developed (ex US) and Em
Indices were down 14.7% and 11.5%, respectively, in the second quarter. Many commodities
the period, though oil rose due to continued supply issues related to the Russia/Ukraine confl
measure, the world's largest cryptocurrency, Bitcoin, lost almost 60% of its value by the end o

Investment Perspectives

The second quarter showcased how quickly economic and market conditions can change, as well as investor confidence. The market's volatility in the beginning of the year largely reflected uncertainty about specific issues, including appropriate valuation levels, the escalating conflict in Ukraine, and lockdowns in China. But that uncertainty has increasingly transitioned to pessimism regarding Tc 0 .(y)4.3 (.253 0e 0 .c3)]70 Td6253 0 Tdr9, (m)0.2-2.2 (i)7 5-1
owell noted an intention of doing so while maintaining a positive growth trajectory, it is evident that
ce stability (i.e., controlling inflation) is the monetary body's current priority. As society attempts to

return to normalcy after a string of highly unique periods relating to the pandemic, the Fed has acknowledged what we have observed in our own day-to-day lives: conditions continue to be highly dynamic. Accordingly, the Fed has committed to being data-dependent, rather than following a predetermined path for its policies. Comments and actions during the quarter show an adherence to such a strategy. In early May, Powell noted that "a 75 basis point increase is not something the Committee is actively considering." However, subsequent economic data dictated otherwise, and only a matter of weeks later the Fed signaled renewed urgency by raising its benchmark overnight rate by the aforementioned 0.75%. Not only was this the first increase of such size since 1994, but the Fed did not rule out a subsequent increase of the same magnitude.

The Fed's forcefulness is showing its teeth – at least as te–s-1.9 (n)7Td( )T6se Fem36.1 (s sh)3.83(st)0.7 ( )12.4 (i)6 ()6.1 (n1 (s s

Boston Trust Walden Company is a Massachusetts-chartered bank and trust company.
Past performance is not indicative of future results.
Data Sources: Bloomberg, FactSet
Chart Sources: Freddie Mac, Federal Reserve Bank of St. Louis
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