



THE CONCORD ADVISORY GROUP, LTD.

Institutional Investment Consulting Services

MAY 2022 MARKET HIGHLIGHTS

“ROCK PAPER SCISSORS”

THE CONCORD ADVISORY GROUP, LTD: MAY 2022 MARKET HIGHLIGHTS

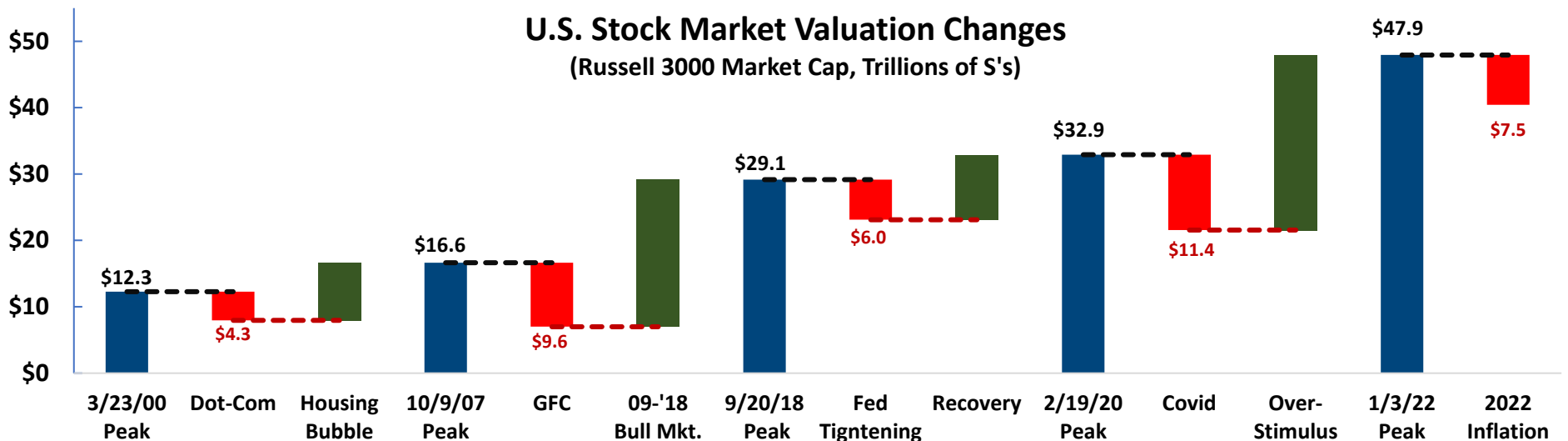
COMMENTARY: “ROCK PAPER SCISSORS”

Sometimes there are lessons to be learned at a 5th grade science fair. Although it seems random, it turns out that there is a winning strategy to play the children’s game Rock-Paper-Scissors (RPS). According to a study from researchers at the University of Sussex, and somewhat confirmed by the 5th grader, people unknowingly tend to follow a “win-stay”, “lose-shift” strategy. For example, if Player 1’s “Rock” defeats player 2’s “Scissors”, in the first game, then in the next game, Player 2 (the loser with Scissors) is likely to choose something other than “Scissors”, not wanting to repeat the losing experience of the previous game. Player 1 is more likely to use “Rock” again. A smart player can take advantage of these tendencies to win at RPS by capitalizing on people making irrational decisions, especially after a loss.

This “win-stay”, “lose-shift” heuristic does seem applicable to markets. Until recent turbulence, and starting in April 2020, the stock market had been on a huge winning streak. Staying invested was the popular choice - ride the winning streak.

As the chart shows, recent losses in U.S. stocks have totaled \$7.5 trillion dollars since the peak in January. Further creating stress, bonds have also produced negative returns. Considering that high inflation has eroded purchasing power beyond the nominal losses, the last few months have been a gnarly losing streak. Pressure to shift is growing.

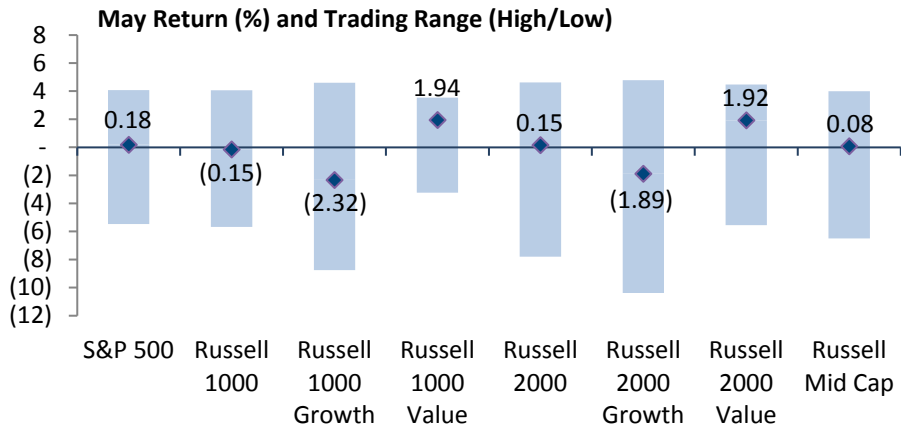
Just like RPS, people are more likely to make an irrational investment decision after a loss and that creates opportunities. For example, investors may be tempted to raise cash by selling stocks and bonds to cut risk, but valuations in stocks and yields on bonds are both more attractive than they were a few months ago. One area where we expect to see opportunity is in active bonds where managers should be able to find opportunities to improve future returns by adding credit exposure. It is much harder to make good decisions during a market sell-off, but hopefully a reminder that human tendencies can work against people’s interests in these times helps.



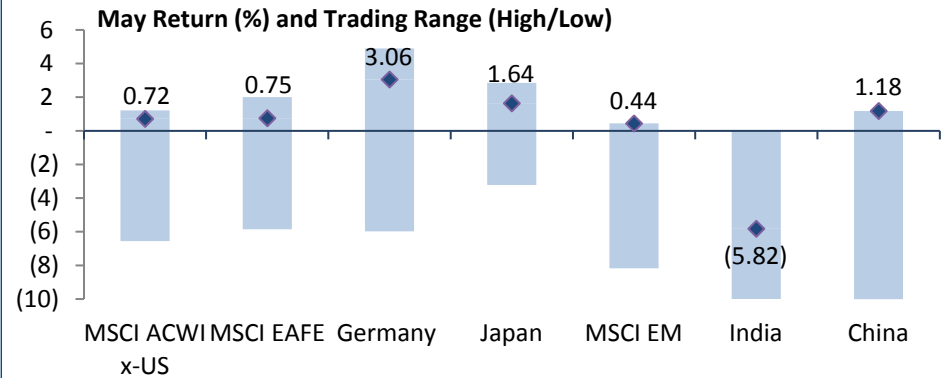
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MONTHLY CHARTS

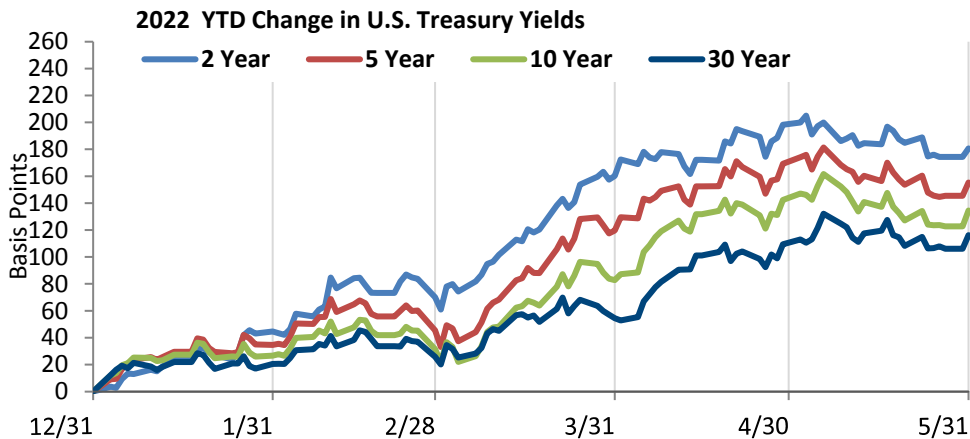
U.S. Equities: Negative equity markets moved towards bear market territory mid-month, but a late May rally left U.S. equities with a slight gain to end the period.



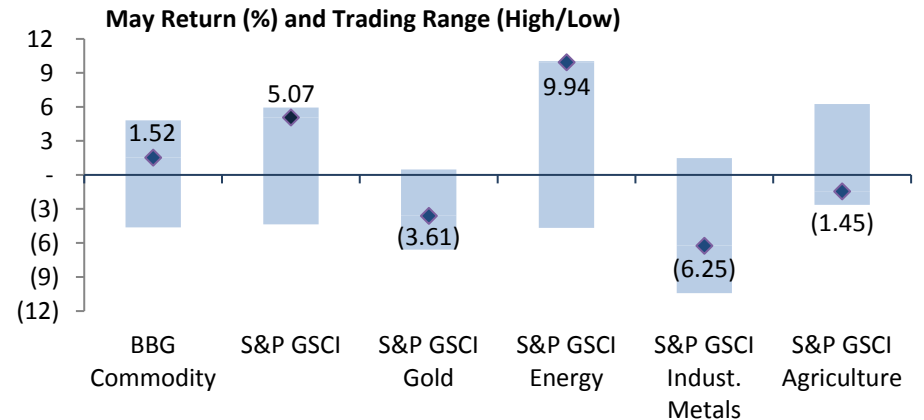
International Equities: Broad non-U.S. equities also produced modest gains in May, as high inflation, central bank tightening and the Russian-Ukraine conflict, continued to be global concerns.



Fixed Income: Bond markets were mostly positive during the month, as the trend of increasing in interest rates paused. Corporate and MBS outperformed Treasury bonds.



Commodities: Commodities prices furthered their recent advances into May, primarily driven by Energy prices. Most other broad sectors experienced declines.

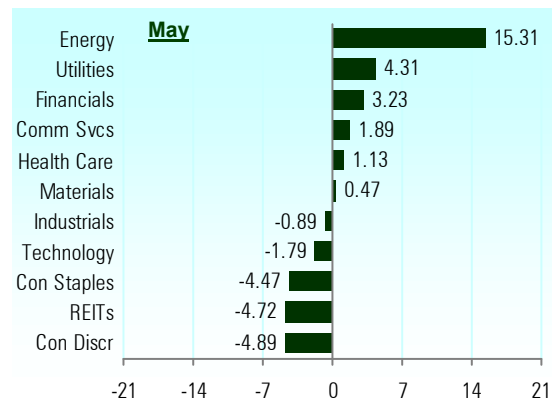


Concord Advisory Group: May 2022 Market Performance

Equity Markets

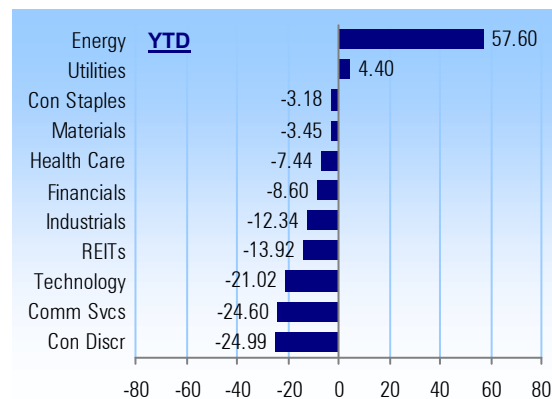
	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	0.18%	-5.16%	-12.76%	-0.30%	16.44%	13.38%
Russell 1000	-0.15%	-5.99%	-13.72%	-2.71%	16.02%	13.12%
Russell 1000 Growth	-2.32%	-10.76%	-21.89%	-6.25%	18.31%	16.13%
Russell 1000 Value	1.94%	-1.09%	-4.52%	0.93%	12.75%	9.50%
Russell MidCap	0.08%	-5.27%	-12.88%	-6.78%	12.87%	10.48%
Russell 2000	0.15%	-8.66%	-16.57%	-16.92%	9.70%	7.72%
Russell 2000 Growth	-1.89%	-13.53%	-24.79%	-25.71%	6.18%	6.88%
Russell 2000 Value	1.92%	-4.15%	-8.24%	-7.66%	12.21%	7.83%
MSCI ACWI	0.12%	-5.90%	-12.83%	-6.78%	11.71%	9.01%
MSCI World	0.08%	-5.72%	-12.97%	-4.82%	12.65%	9.72%
MSCI ACWI Ex-US	0.72%	-5.46%	-10.74%	-12.41%	6.49%	4.42%
MSCI EAFE	0.75%	-5.17%	-11.34%	-10.38%	6.43%	4.17%
MSCI EM	0.44%	-7.29%	-11.76%	-19.83%	5.00%	3.80%
Bloomberg Commodity	1.52%	14.87%	32.74%	41.86%	19.82%	10.85%

Equity Sector Returns (%)



Equity Style Returns (%)

	Value	Core	Growth
Large	1.94	-0.15	-2.32
Mid	1.92	0.08	-3.87
Small	1.92	0.15	-1.89

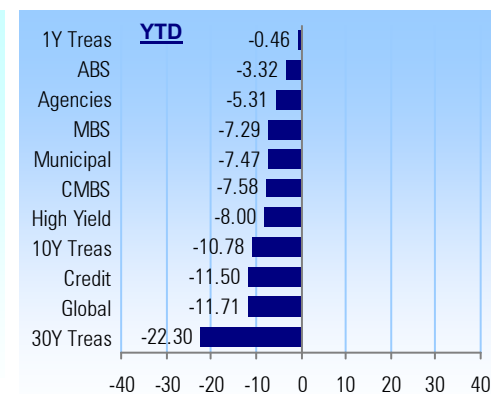
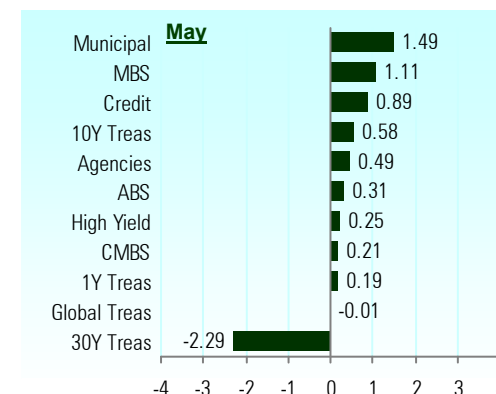


	Value	Core	Growth
Large	-4.52	-13.72	-21.89
Mid	-5.88	-12.88	-25.42
Small	-8.24	-16.57	-24.79

Fixed Income Markets

	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	0.64%	-5.87%	-8.92%	-8.22%	0.00%	1.18%
Bloomberg Global Aggregate	0.27%	-8.11%	-11.06%	-13.22%	-1.44%	0.08%
Bloomberg Intermediate Aggregate	0.85%	-4.15%	-6.30%	-6.69%	0.14%	1.09%
Bloomberg Universal	0.55%	-5.79%	-9.12%	-8.41%	0.19%	1.33%
Bloomberg Government	0.19%	-5.86%	-8.24%	-7.45%	-0.25%	0.91%
Bloomberg Credit	0.89%	-6.80%	-11.49%	-9.98%	0.63%	1.84%
Bloomberg Municipal	1.49%	-4.52%	-7.47%	-6.79%	0.50%	1.78%
Bloomberg High Yield	0.25%	-4.43%	-8.00%	-5.27%	3.33%	3.56%
Bloomberg Mortgage	1.11%	-4.98%	-7.29%	-7.59%	-0.68%	0.60%
Bloomberg 1-3 Yr Gov/Credit	0.61%	-1.29%	-2.42%	-3.03%	0.73%	1.21%
FTSE 3-Month Treasury Bill	0.05%	0.10%	0.11%	0.13%	0.65%	1.09%
FTSE World Govt Bond	-0.07%	-9.16%	-12.02%	-14.97%	-2.50%	-0.56%
Bloomberg U.S. TIPS	-0.99%	-4.82%	-5.95%	-1.45%	4.45%	3.68%
BofAML Invest Grade Convertible	4.51%	1.23%	-2.75%	2.21%	9.31%	9.62%

Fixed Income Sector Returns (%)



Treasury Yield Curve

