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FAS Quarterly Update

1H 2022 Review and Outlook



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- Equity Markets
- Fixed Income and Interest Rates
- Inflation
- Economic Conditions
- Outlook



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Equity Markets

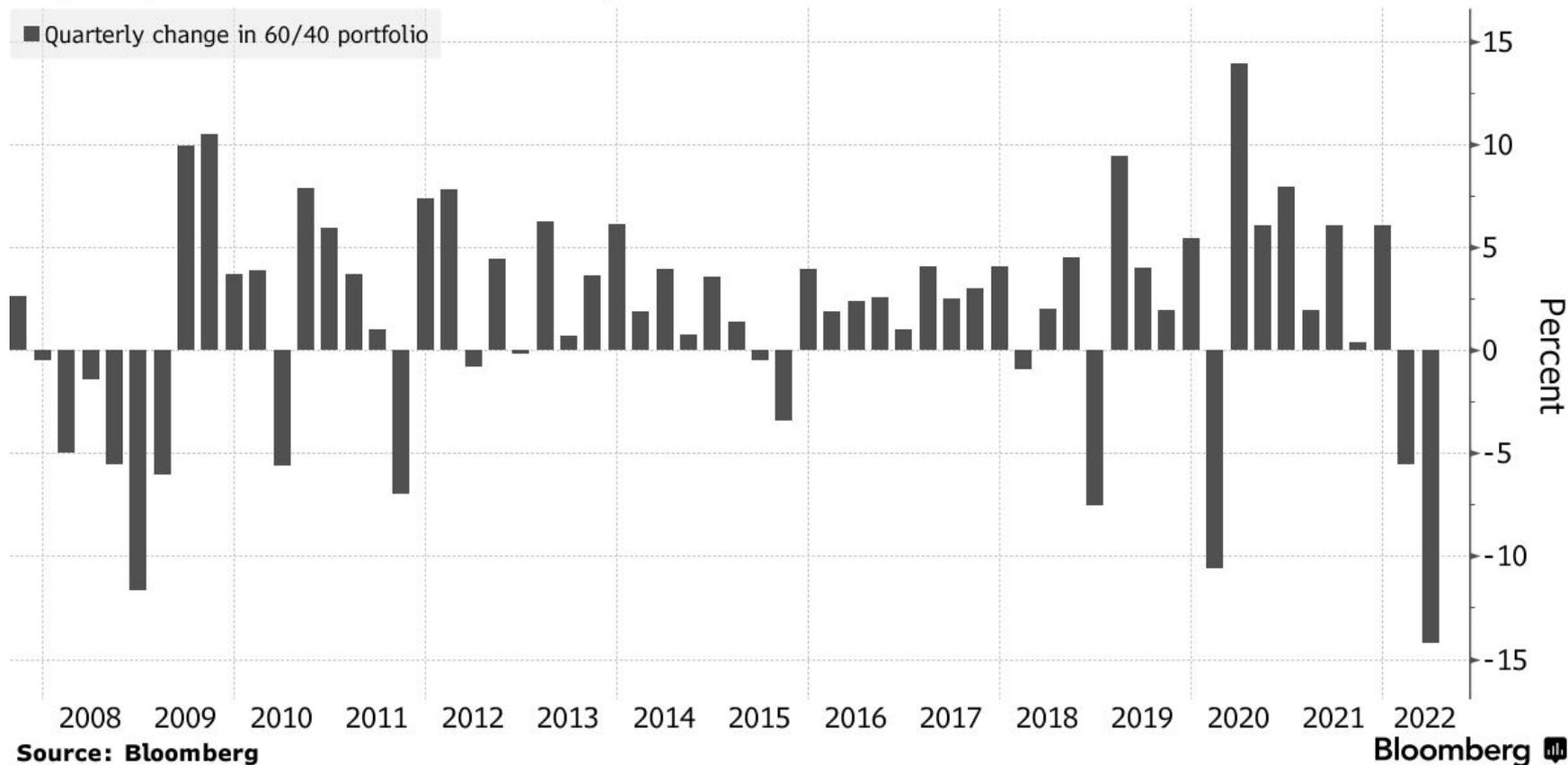


Index Returns as of June 30, 2022

Index Returns 2022 Q2		
Index	Q2	YTD
DJIA (Dow)	(11.25%)	(15.31%)
S&P 500	(16.45%)	(20.58%)
NASDAQ	(22.44%)	(29.51%)
MSCI EAFE	(15.37%)	(20.97%)
Russell 2000 Small Cap	(17.68%)	(23.93%)
Barclays US Aggregate Bond Index	(4.69%)	(10.35%)
MSCI World	(16.60%)	(21.21%)

Nowhere Is Safe

60/40 portfolio set for a worst quarter than even 2008





60/40 Historical Returns

60/40 Portfolio (S&P 500/US 10-Year Treasury): Total Returns (1928 - 2022)									
Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	26.6%	1947	3.5%	1966	-4.8%	1985	29.0%	2004	8.2%
1929	-3.3%	1948	4.2%	1967	13.6%	1986	20.8%	2005	4.0%
1930	-13.3%	1949	12.8%	1968	7.8%	1987	1.5%	2006	10.2%
1931	-27.3%	1950	18.7%	1969	-7.0%	1988	13.2%	2007	7.4%
1932	-1.7%	1951	14.1%	1970	8.8%	1989	26.0%	2008	-13.9%
1933	30.7%	1952	11.8%	1971	12.4%	1990	0.7%	2009	11.1%
1934	2.5%	1953	0.9%	1972	12.4%	1991	24.1%	2010	12.3%
1935	29.8%	1954	32.9%	1973	-7.1%	1992	8.2%	2011	7.7%
1936	21.2%	1955	19.0%	1974	-14.7%	1993	11.7%	2012	10.7%
1937	-20.7%	1956	3.6%	1975	23.6%	1994	-2.4%	2013	15.6%
1938	19.3%	1957	-3.6%	1976	20.7%	1995	31.7%	2014	12.4%
1939	1.1%	1958	25.4%	1977	-3.7%	1996	14.2%	2015	1.3%
1940	-4.2%	1959	6.2%	1978	3.6%	1997	23.8%	2016	7.3%
1941	-8.5%	1960	4.9%	1979	11.4%	1998	23.0%	2017	14.1%
1942	12.4%	1961	16.8%	1980	17.8%	1999	9.2%	2018	-2.5%
1943	16.0%	1962	-3.0%	1981	0.5%	2000	1.2%	2019	22.6%
1944	12.4%	1963	14.2%	1982	25.4%	2001	-4.9%	2020	15.3%
1945	23.0%	1964	11.3%	1983	14.7%	2002	-7.1%	2021	15.3%
1946	-3.8%	1965	7.7%	1984	9.2%	2003	17.2%	2022 YTD	-16.6%



@CharlieBilello

How the Mighty Have Fallen

Widespread Market Value Destruction ...



SELECTED STOCK PERFORMANCES OFF 52-WEEK HIGHS

Skillz	-93%	Fiverr	-85%	Playboy	-81%	Bigcommerce	-76%	Tencent Music	-70%
Fubo	-91%	Vimeo	-85%	Robinhood	-80%	Chegg	-76%	Zoom	-70%
Hippo	-91%	Allbirds	-84%	Teladoc	-80%	Block	-75%	Editas	-69%
Peloton	-91%	Beyond Meat	-84%	23AndMe	-79%	Sea	-75%	Marqeta	-69%
Stitch Fix	-90%	Farfetch	-84%	Wix	-79%	Altice	-74%	Nextdoor	-68%
Root	-88%	Lordstown Motors	-84%	AMC	-78%	Paypal	-74%	Roblox	-67%
Purple	-87%	Nam Tai	-84%	Coupa	-78%	Pinterest	-74%	Rocket	-67%
Redfin	-87%	Honest	-83%	Docusign	-78%	Zillow	-74%	Rocket	-67%
The RealReal	-87%	Lemonade	-83%	Roku	-78%	Affirm	-71%	Netflix	-65%
Doma	-86%	Rent the Runaway	-83%	Draftkings	-77%	Matterport	-71%	Penn National	-64%
Oatly	-86%	Virgin Galactic	-83%	Lending Tree	-77%	Opendoor	-71%	Nerdwallet	-62%
Thredup	-86%	Virgin Galactic	-83%	Poshmark	-77%	Appian	-70%	Hims	-61%
Wish	-86%	Clover	-80%	Twilio	-77%	Boston Beer Co.	-70%	Blackberry	-60%
Bark	-85%	Fastly	-80%	Bed Bath & Beyond	-76%	Coupage	-70%	Rover	-56%

Sources: Liquidity, S&P as of 6/17/22. Company names and logos are trademarks of their respective holders.

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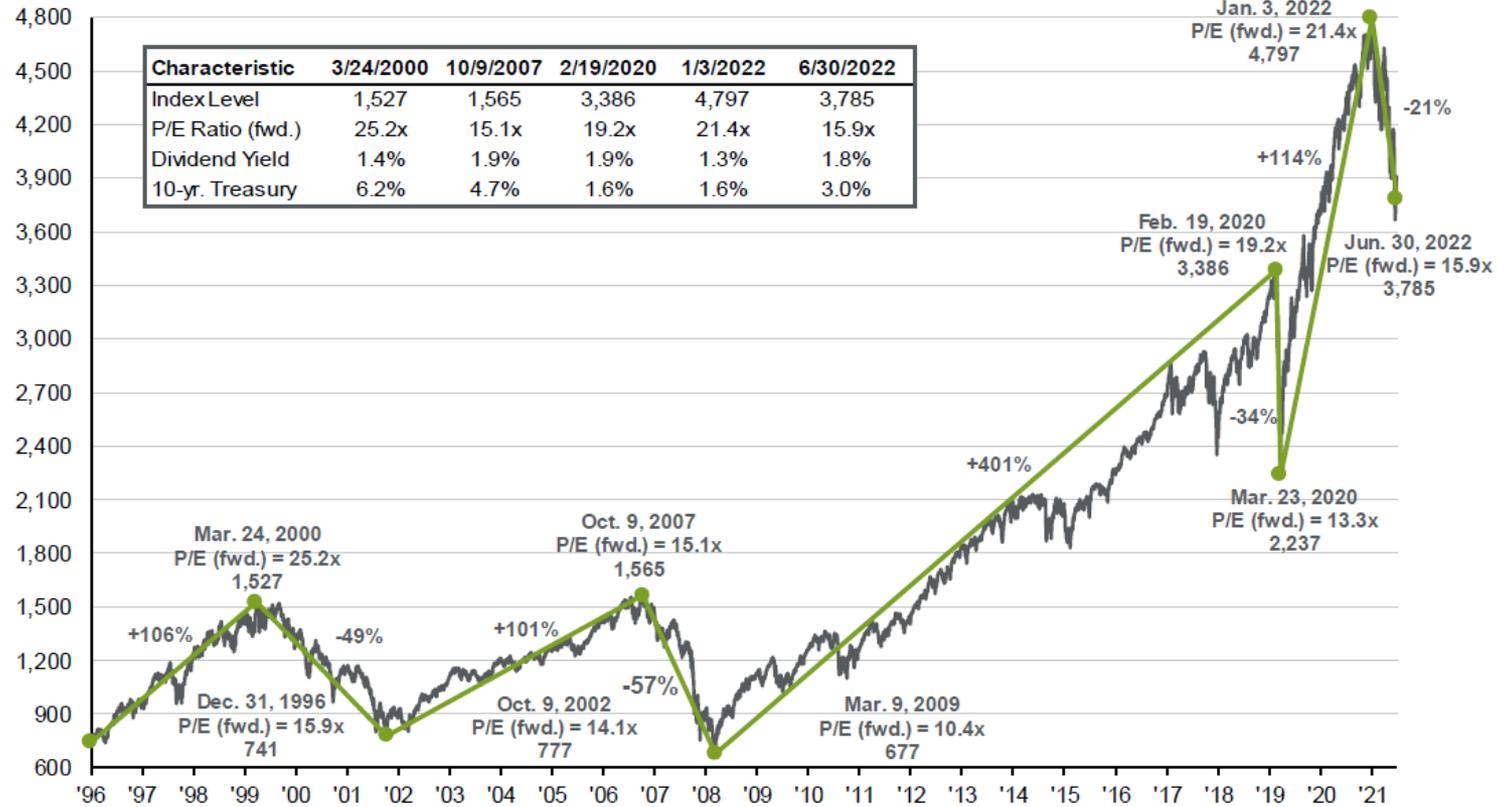
Index Returns vs. Constituent Returns

Major indexes and maximum drawdowns							
Index	Year-to-date				Past 52 weeks		
	YTD return	Index maximum drawdown from YTD high	Average member maximum drawdown from YTD high	Index return from YTD low	Index maximum drawdown from 52w high	Average member maximum drawdown from 52w high	Index return from 52w low
S&P 500	-18%	-24%	-29%	6%	-24%	-32%	6%
NASDAQ	-26%	-33%	-43%	9%	-34%	-51%	9%
Russell 2000	-21%	-27%	-41%	7%	-32%	-48%	7%



25 Years of Bulls and Bears

S&P 500 Price Index



Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
 Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat.
 Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.

Guide to the Markets – U.S. Data are as of June 30, 2022.

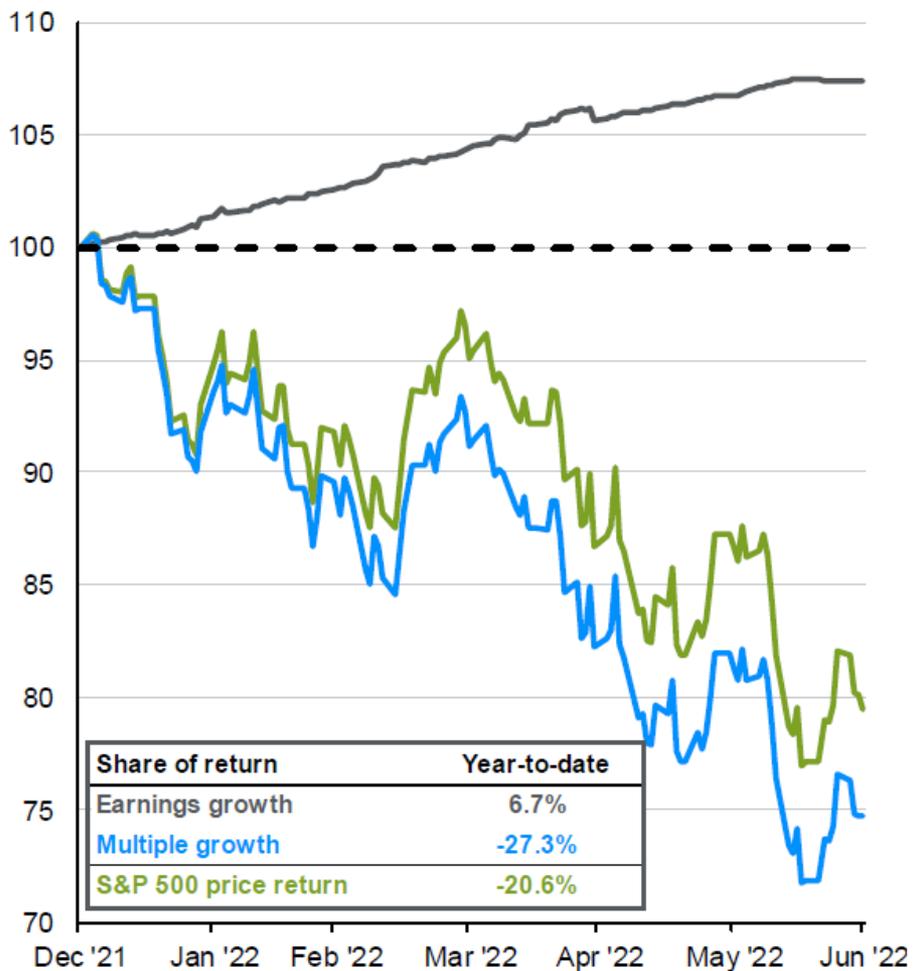
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Multiple Contraction vs. Earnings

Percent change in S&P 500, earnings and valuations*

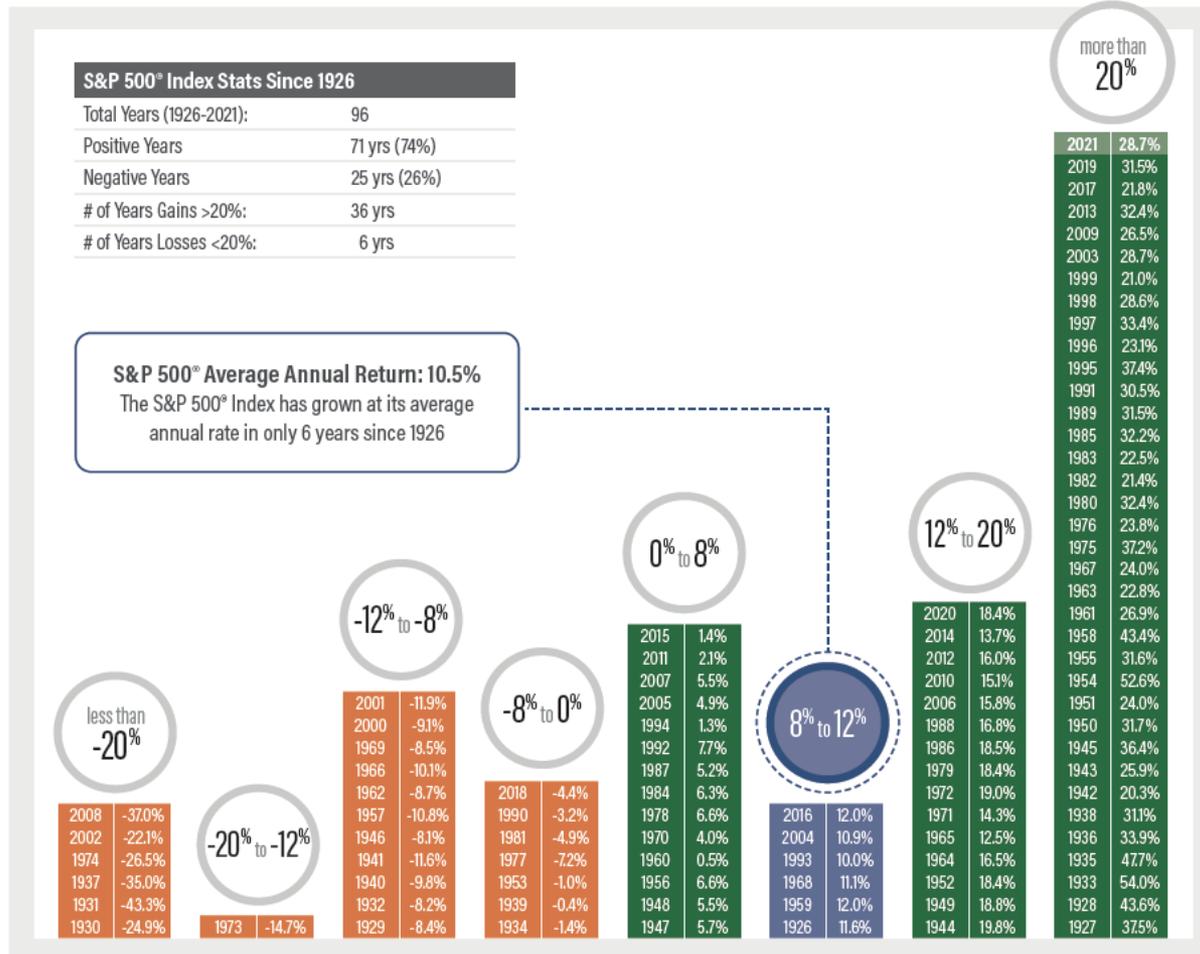
Year-to-date, indexed to 100





Average Returns Are Rarely “The Average”

Feast or Famine



Source: FactSet, S&P Dow Jones Indices. Data calculated from 1926-2021 using total return.
 Past performance is no guarantee of future results.



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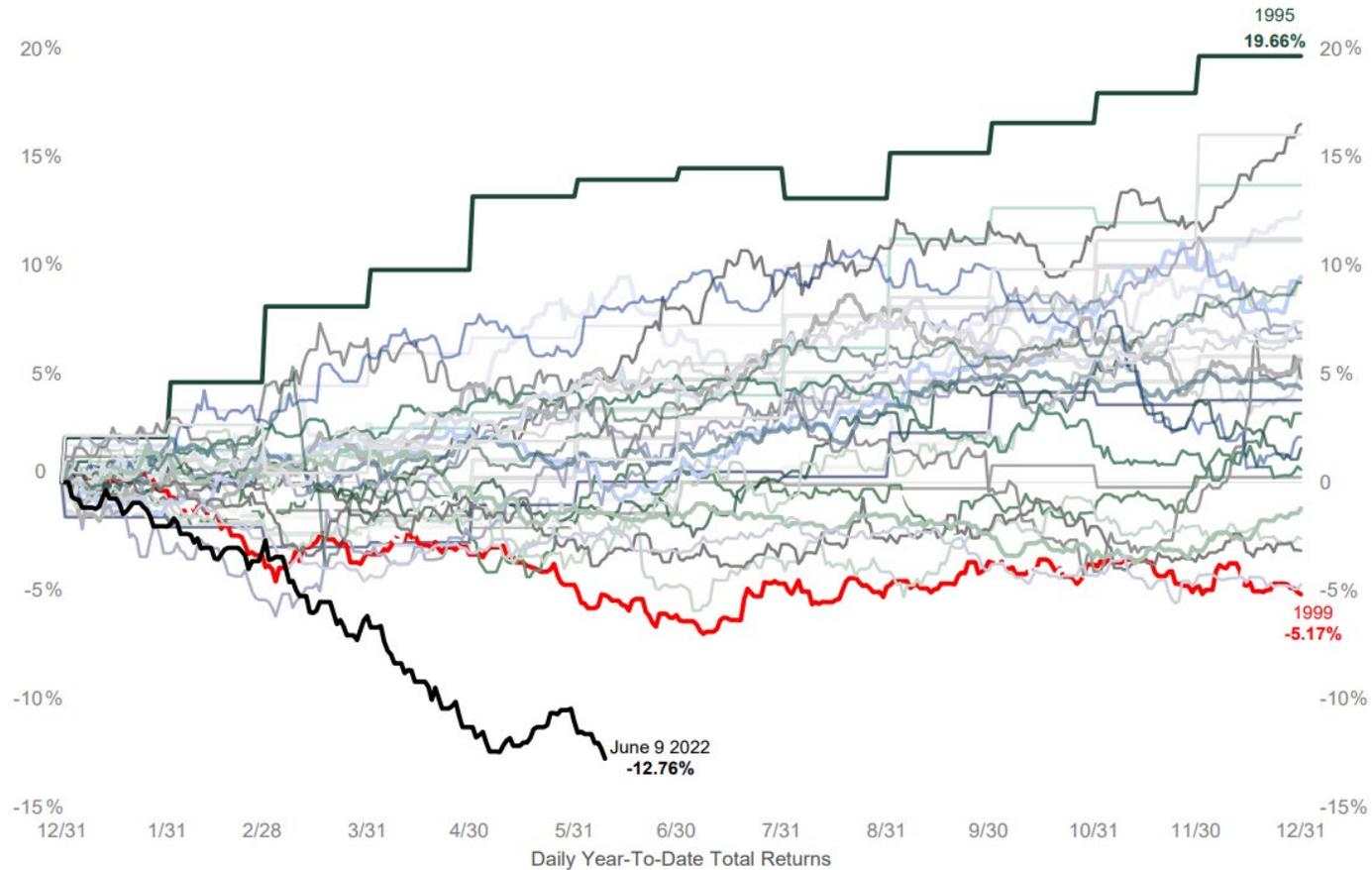
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Fixed Income Markets and Interest Rates



Bonds Getting Slaughtered

Bloomberg Global Aggregate: % Total YTD Return, 1990 to Present



Source: Bloomberg, Bespoke Investment Group calculations

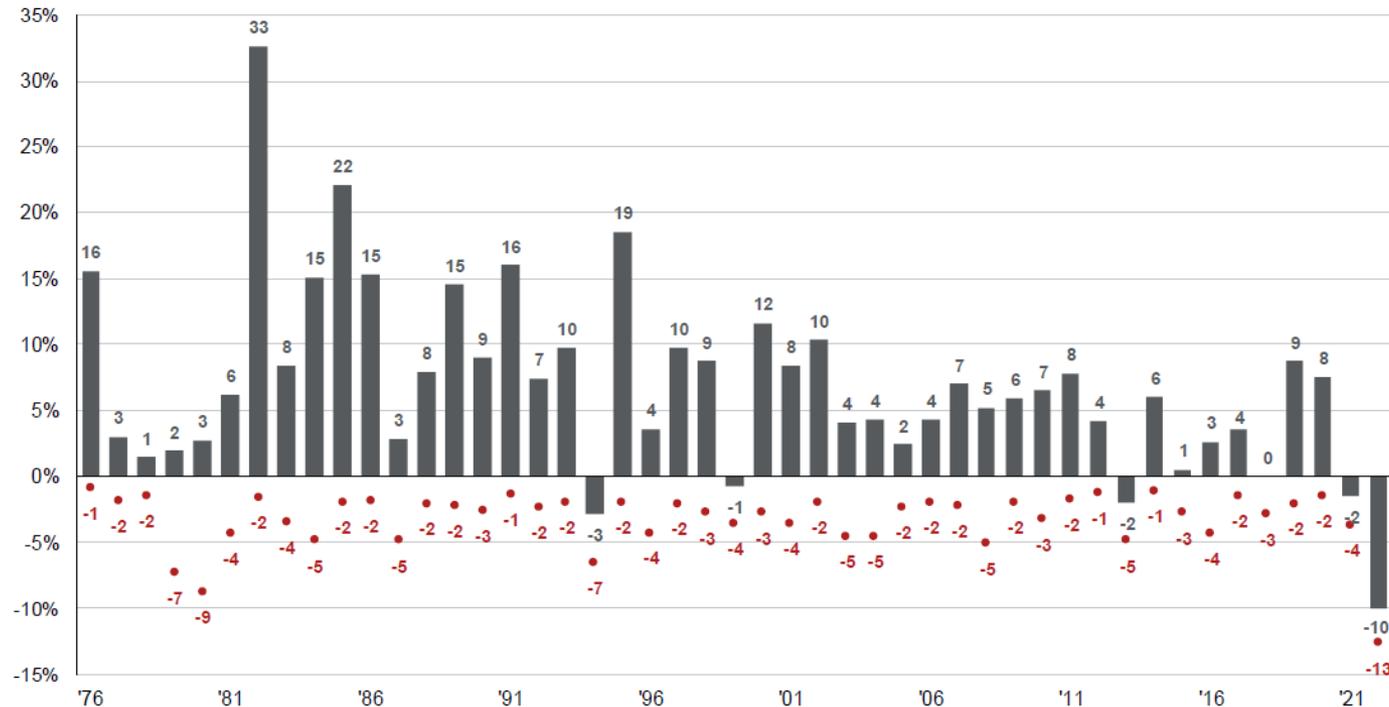
Intra-Year Declines in Bonds

Bloomberg U.S. Agg. annual returns and intra-year declines

GTM U.S. 43

Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.1%, annual returns positive in 42 of 46 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.
 Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2021, over which time period the average annual return was 7.1%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterwards.
 Guide to the Markets – U.S. Data are as of June 30, 2022.



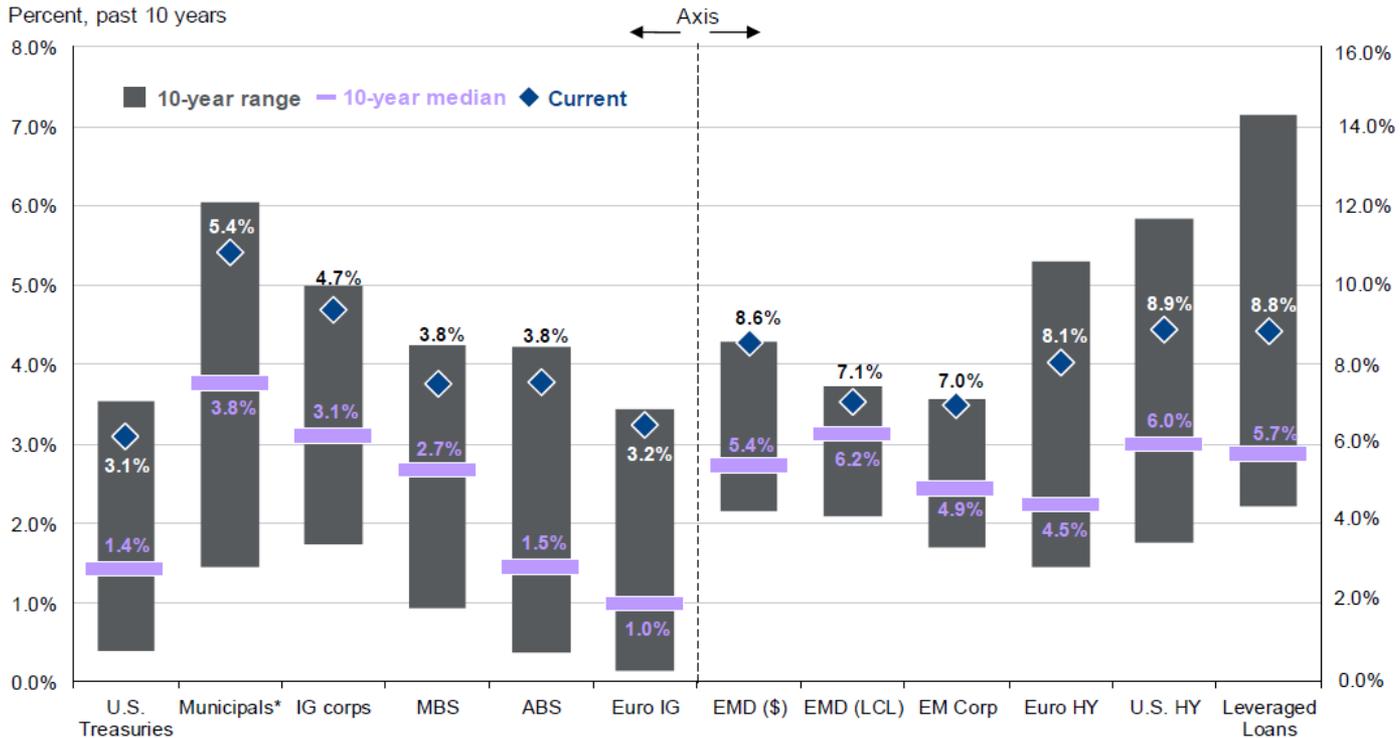
Yields Look Attractive Relative to History

Fixed income valuations

GTM U.S. 39

Yield-to-worst across fixed income sectors

Percent, past 10 years



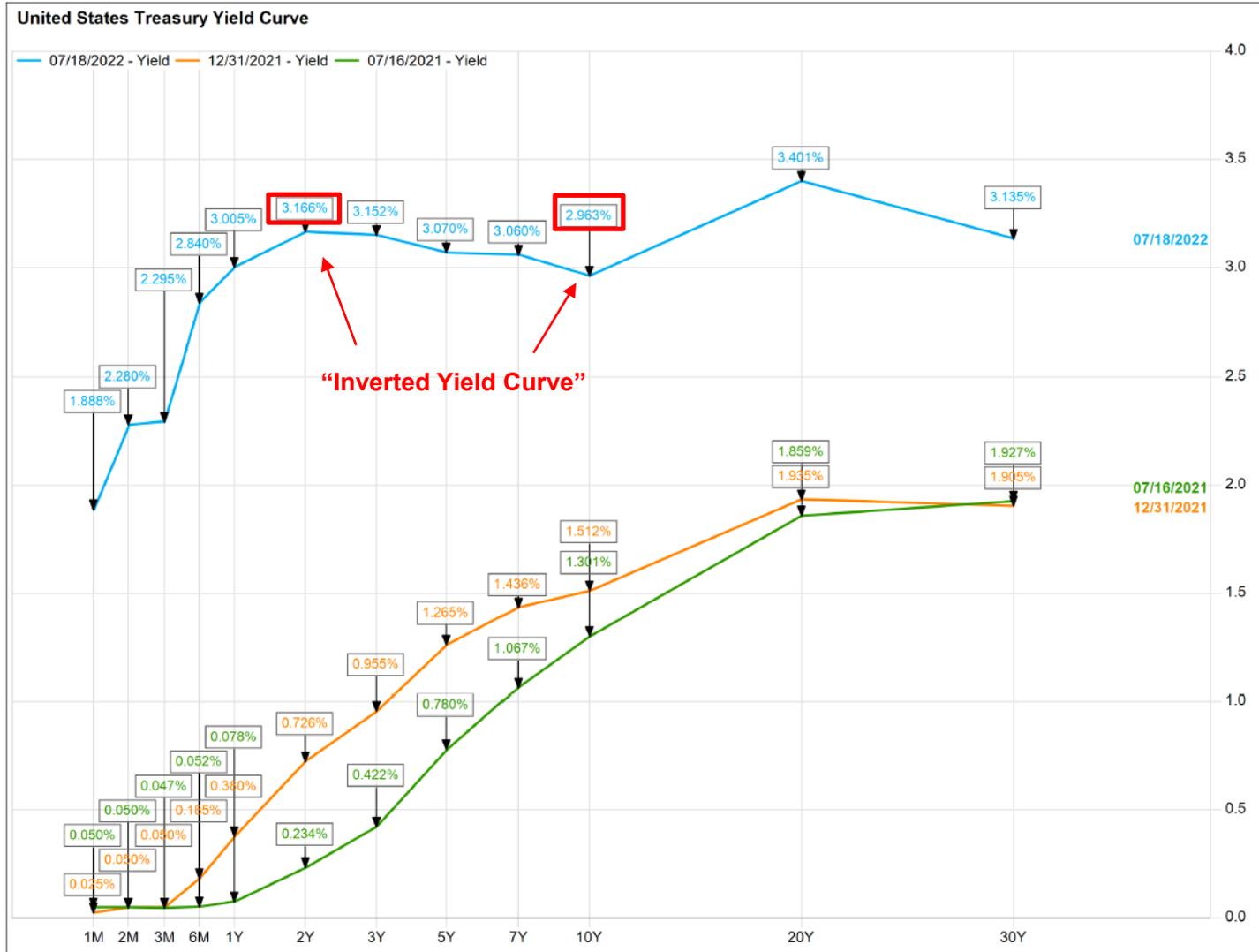
Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management. Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (\$): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GB-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.

Guide to the Markets – U.S. Data are as of June 30, 2022.

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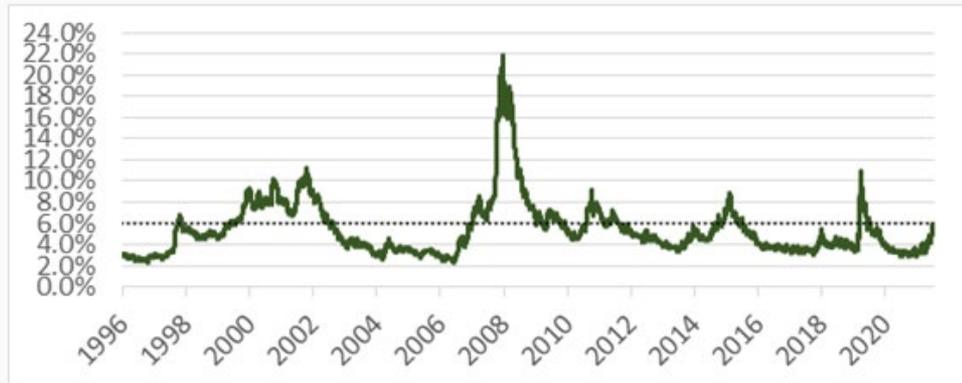


The Dreaded Inverted Yield Curve



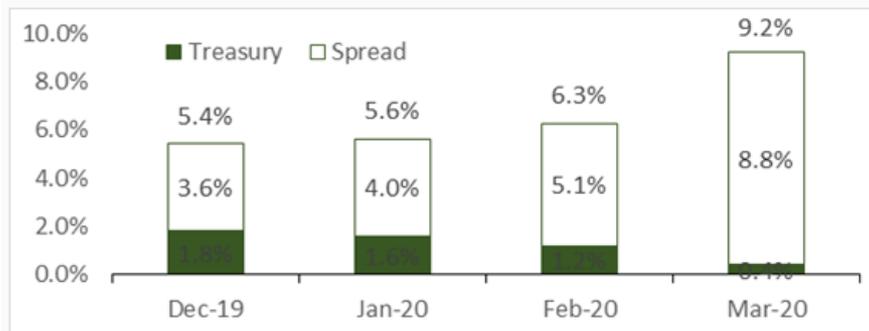
High Yield Spreads Nearing “Crisis Levels”

Figure 1: High-Yield Spreads Once Again Approaching Crisis Levels



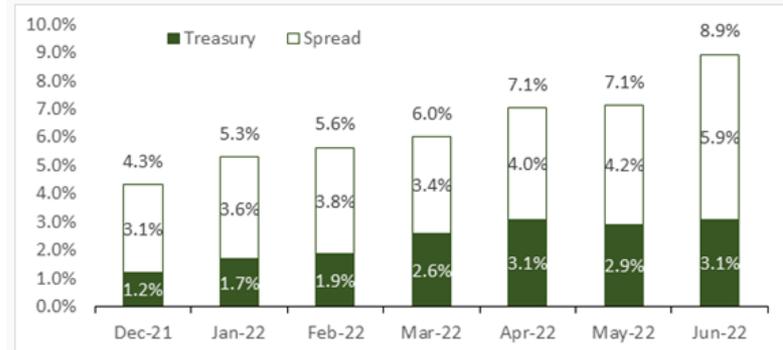
Source: BOA High Yield Index via FRED

Figure 2: Yield on High-Yield Index Broken into Treasury Yield and Credit Spread (Q1 2020)



Source: BOA High Yield Index via FRED

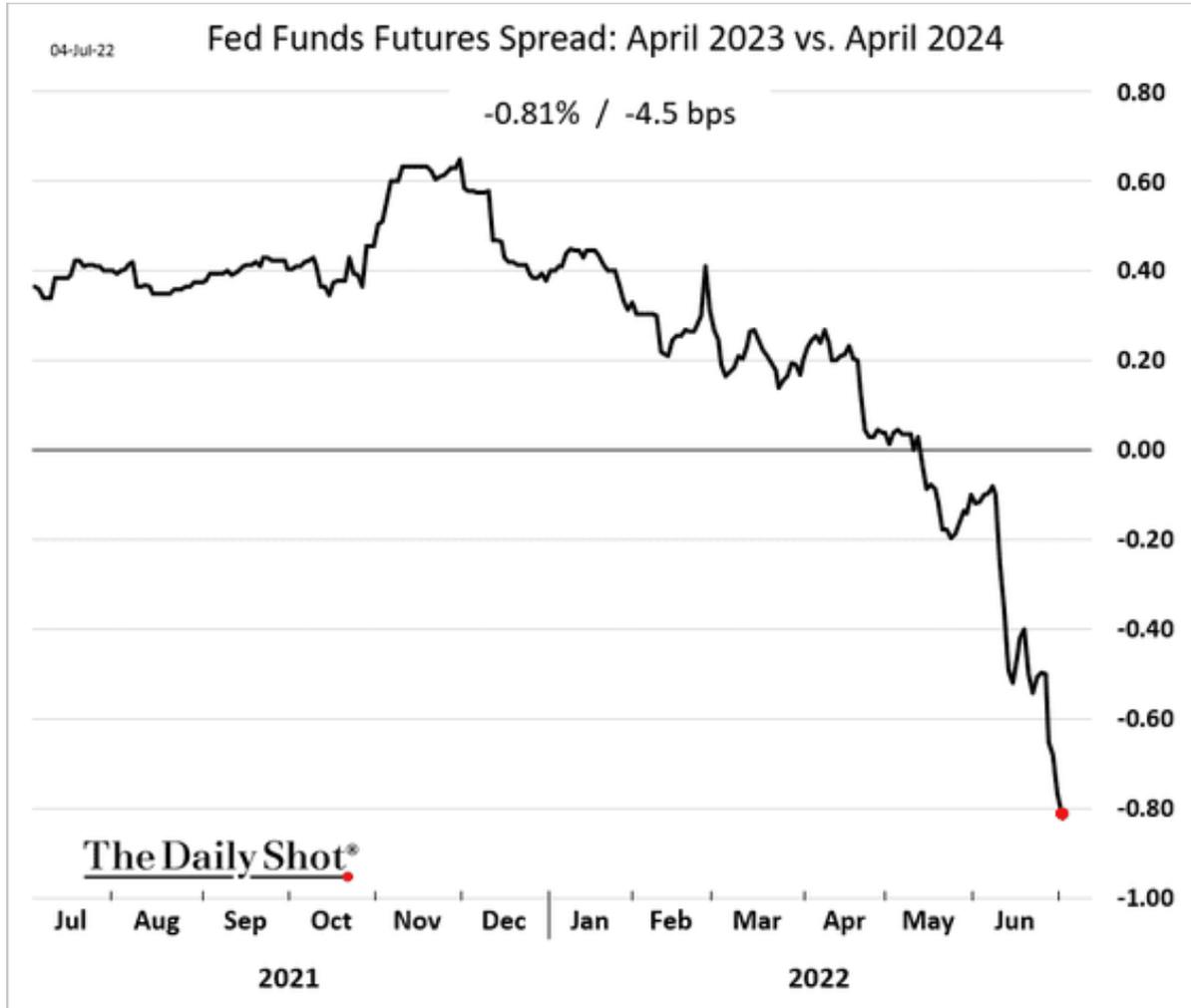
Figure 3: Yield on High-Yield Index Broken into Treasury Yield and Credit Spread (H1 2022)



Source: BOA High Yield Index via FRED



Market Forecasting Rate CUTS





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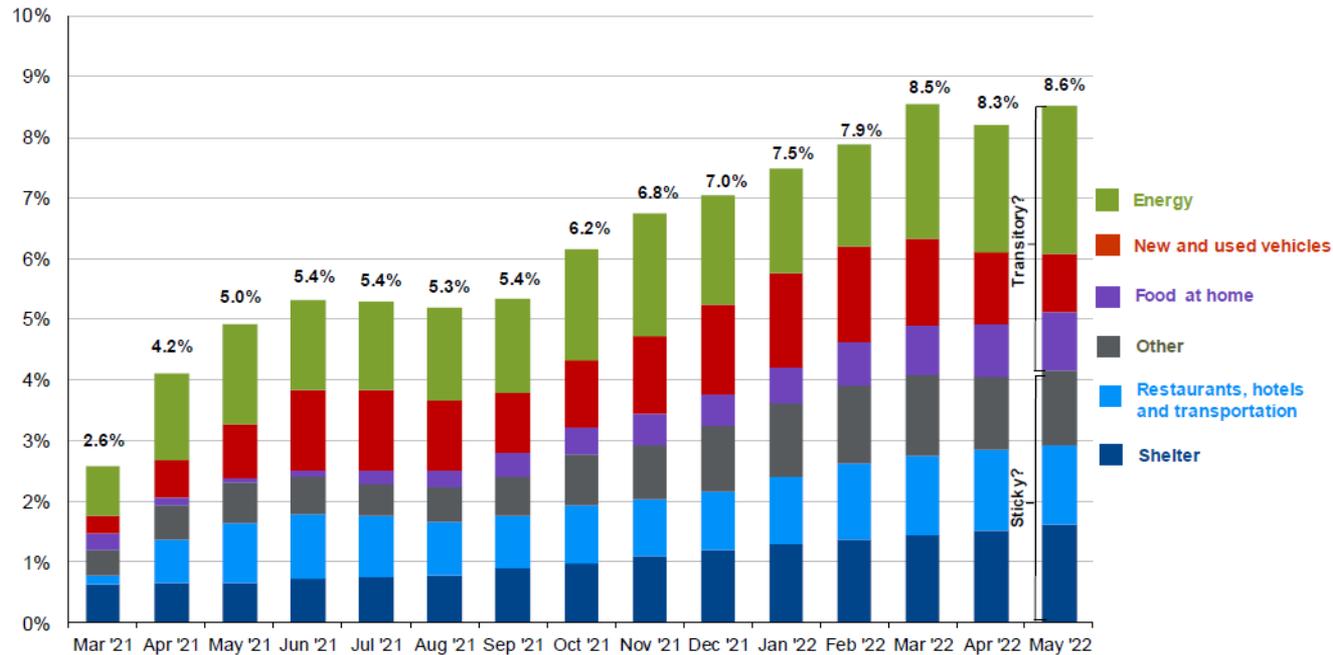
Inflation



Inflation Components

Contributors to headline inflation

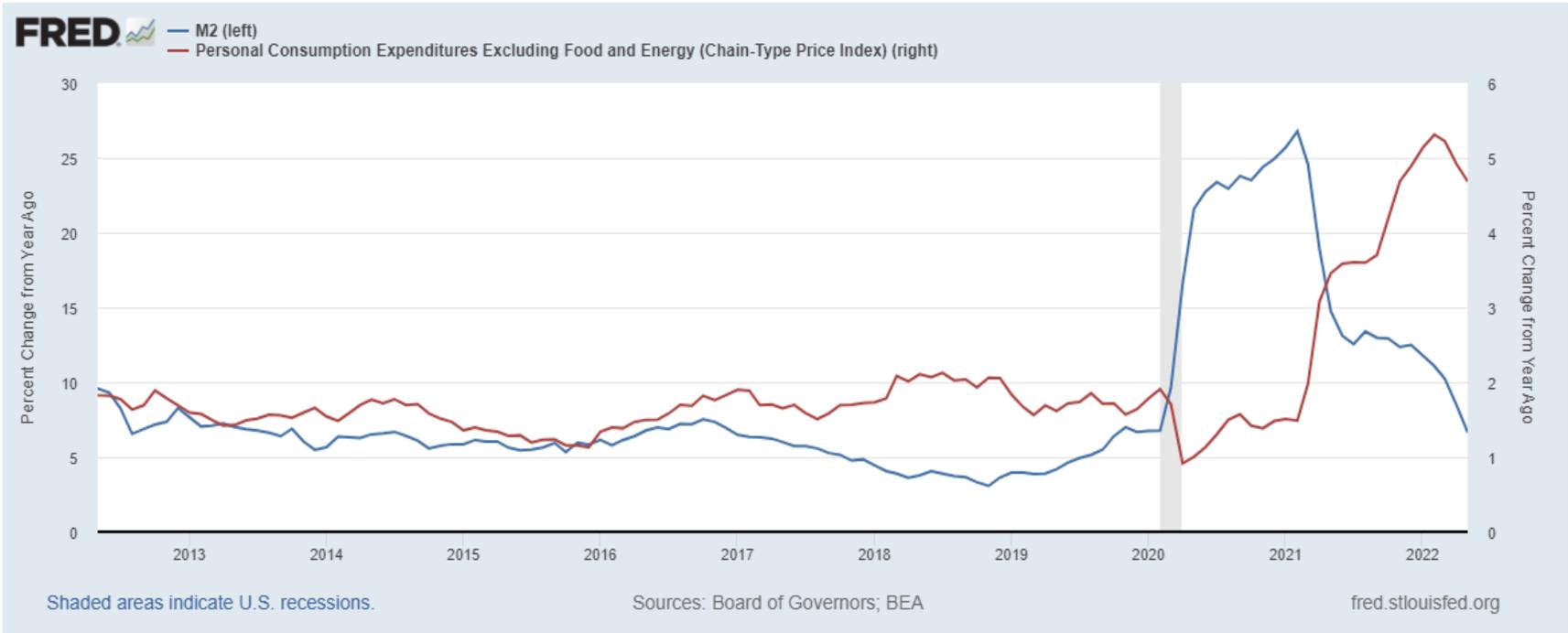
Contribution to y/y % change in CPI, non seasonally adjusted



Source: BLS, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners equivalent rent and rent of primary residence. "Other" primarily reflects household furnishings, apparel, education and communication services, medical care services and other personal services.
Guide to the Markets – U.S. Data are as of June 30, 2022.



Money Supply & Inflation

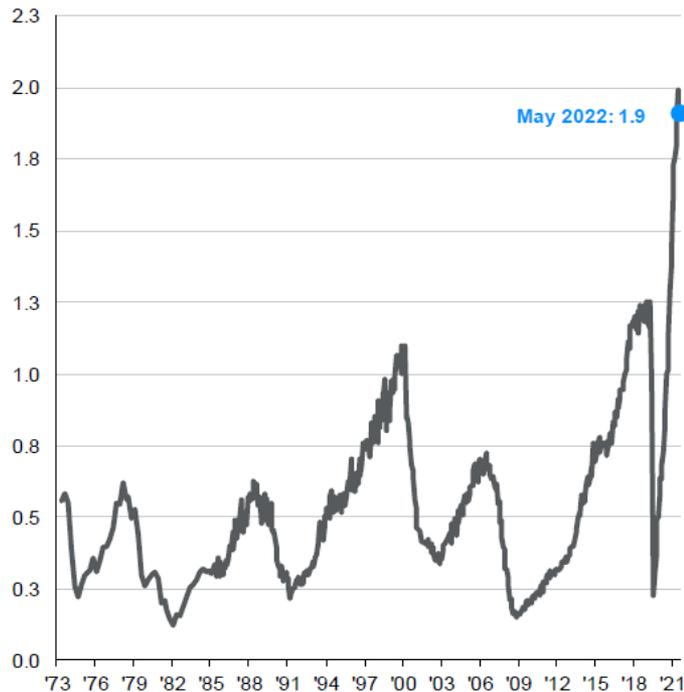




Tight Labor Market

Ratio of job openings to job seekers

Job openings* lagged 1 month divided by unemployed persons, SA



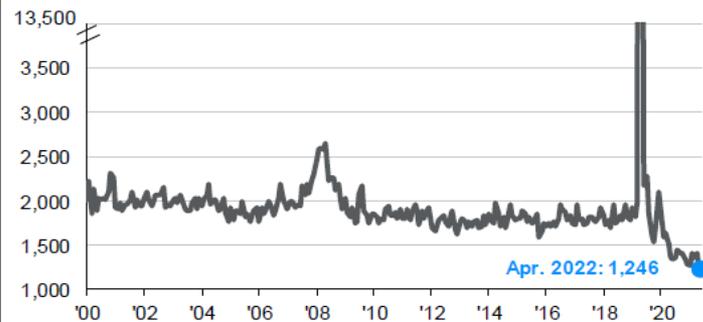
JOLTS quits

Total nonfarm quits, thousands, seasonally adjusted



JOLTS layoffs

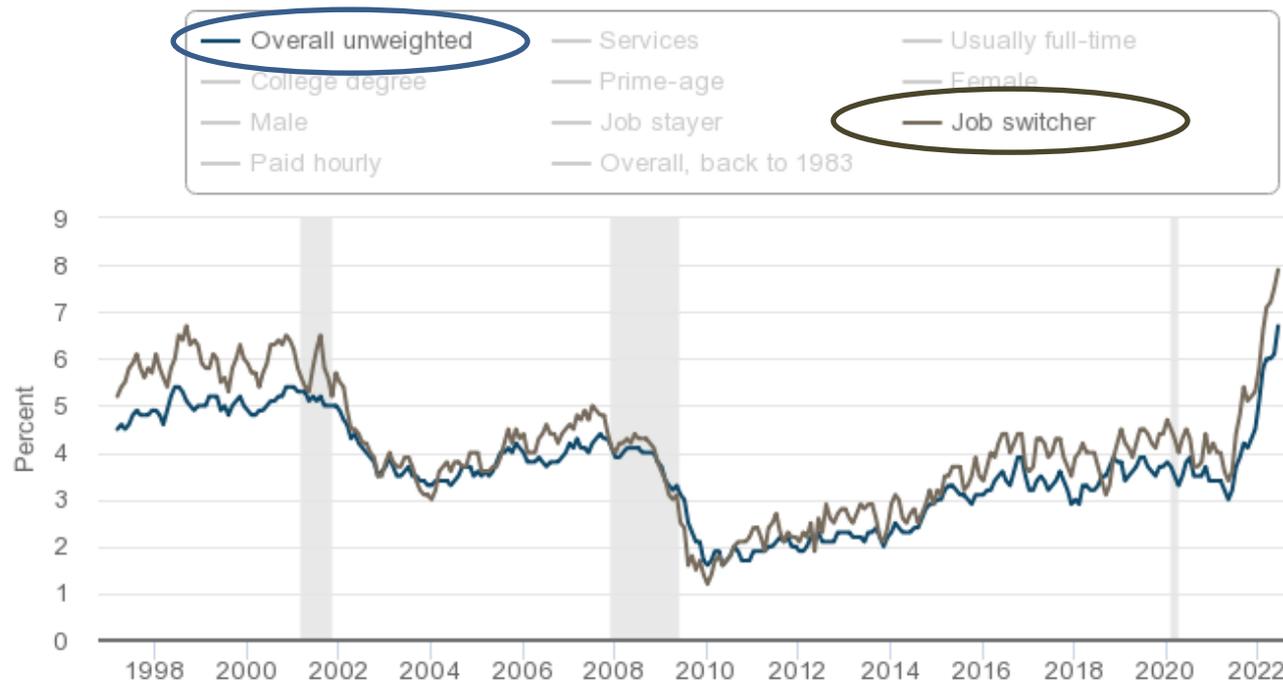
Total nonfarm layoffs, thousands, seasonally adjusted



Source: U.S. Department of Labor, J.P. Morgan Asset Management. *JOLTS job openings from February 1974 to November 2000 are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of June 30, 2022.

Wage Growth Tracker

three-month moving average of median wage growth, hourly data

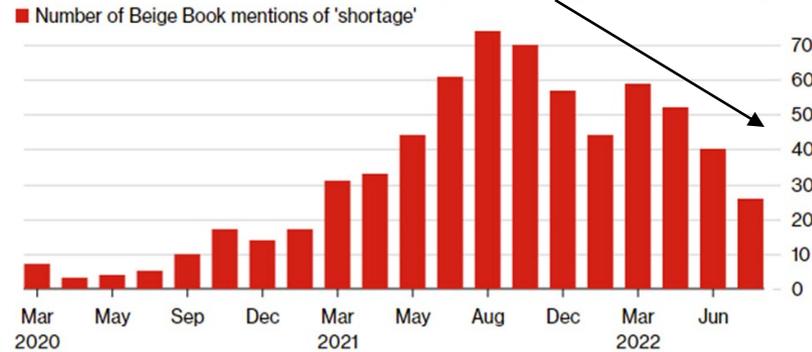


Sources: Current Population Survey, Bureau of Labor Statistics and author's calculations

Easing Supply Chain Stress

Speaking of Shortages

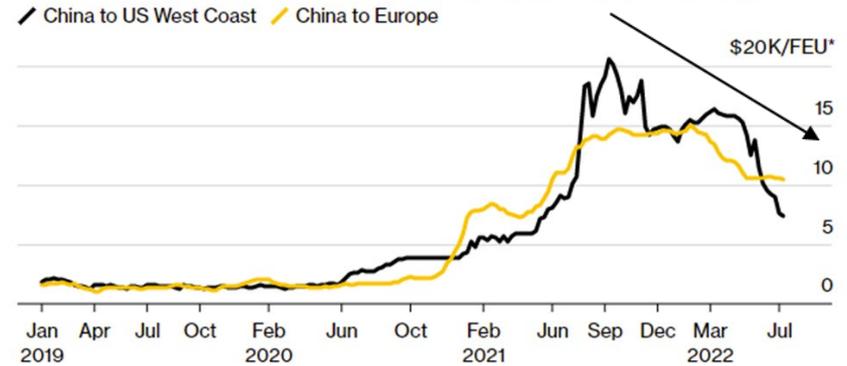
Frequency of the Fed's referrals to 'shortage' in the Beige Book is declining



Source: Federal Reserve's Beige Book, Bloomberg calculations

Halfway Back to Normal

Ocean shipping rates have dropped halfway back to early-2021 levels

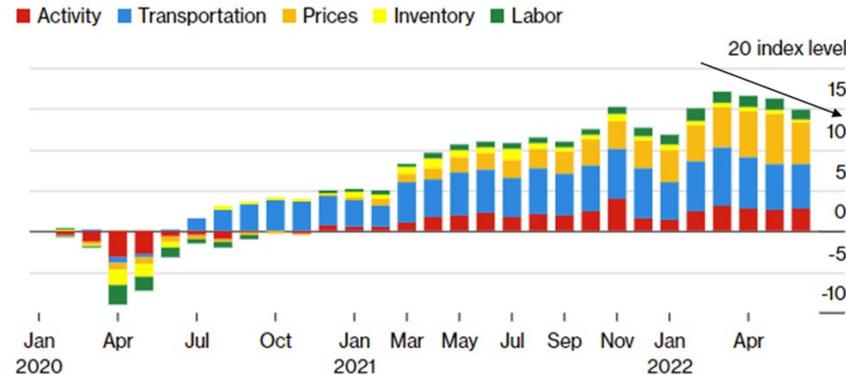


Source: Freightos.com

*FEU = 40-foot containers; spot rates including premiums and surcharges

Inching Back to Normal

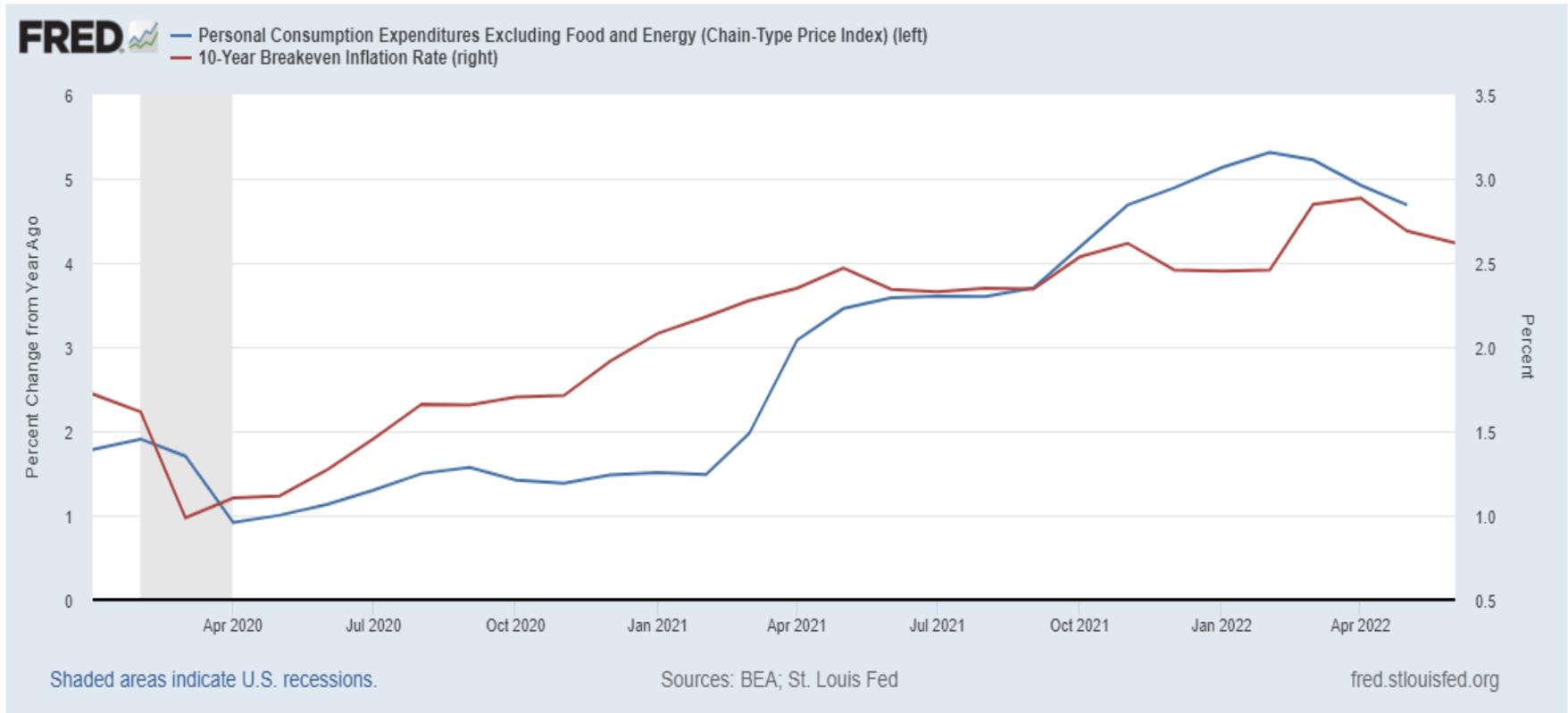
Oxford's US supply-strain index has fallen for three straight months



Source: Oxford Economics' U.S. Supply Chain Stress Tracker



Inflation Expectations





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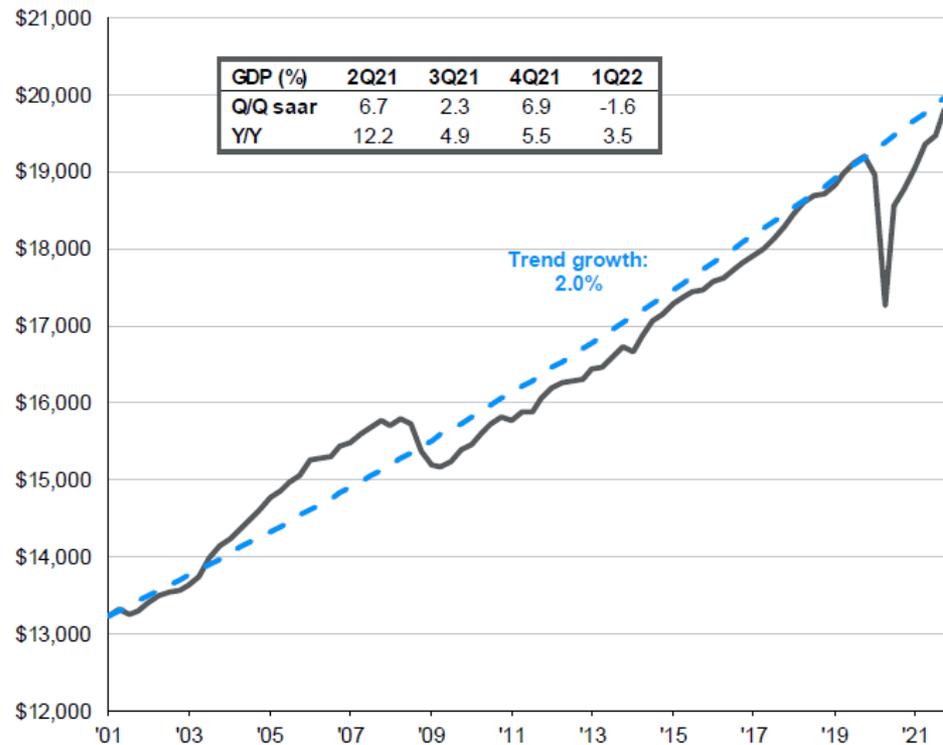
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Economy

Consumption ~70% of GDP

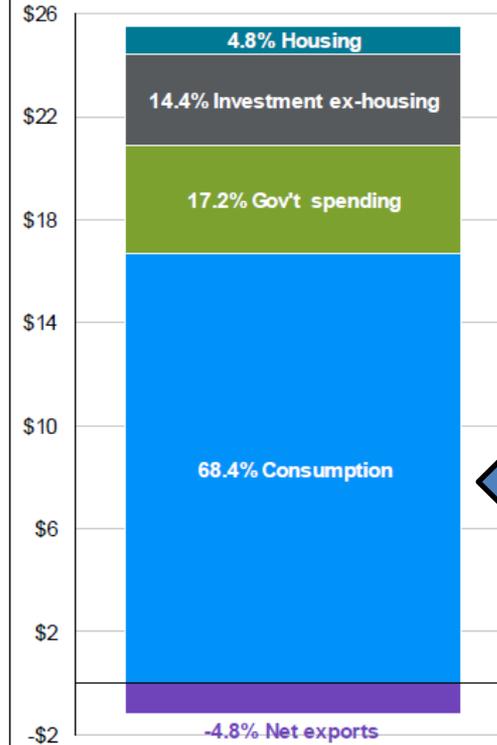
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



Components of GDP

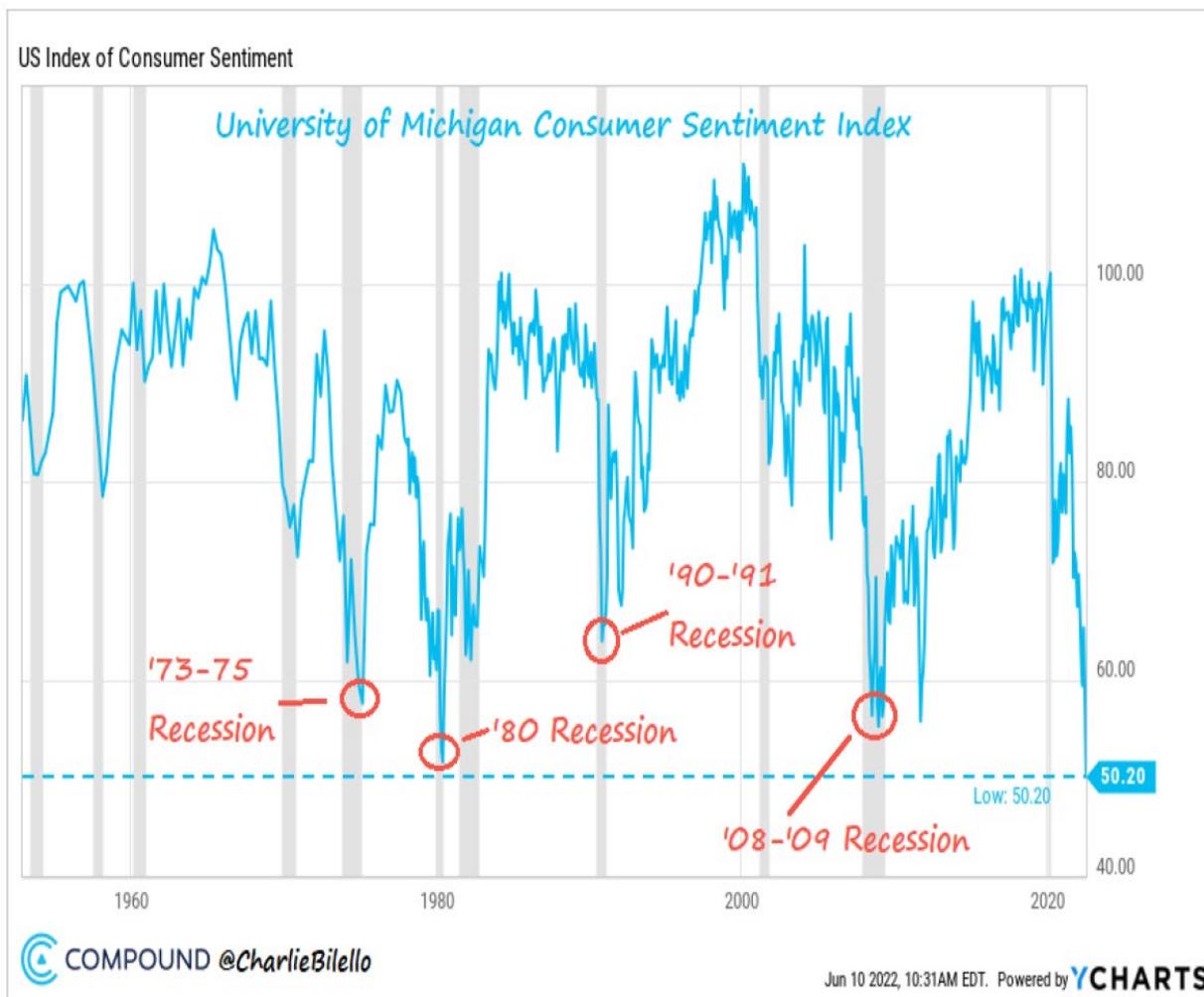
1Q22 nominal GDP, USD trillions



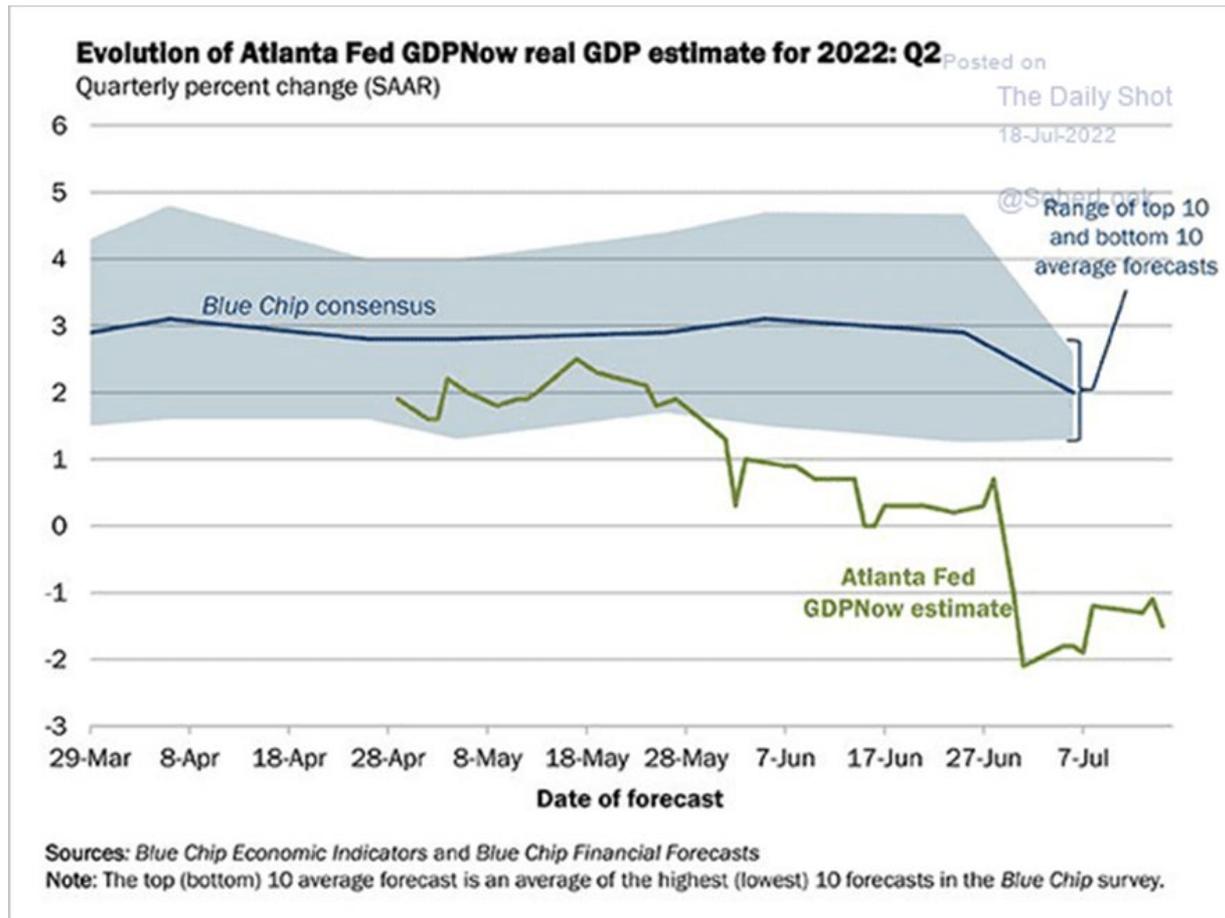
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of June 30, 2022.



Record Low Consumer Sentiment



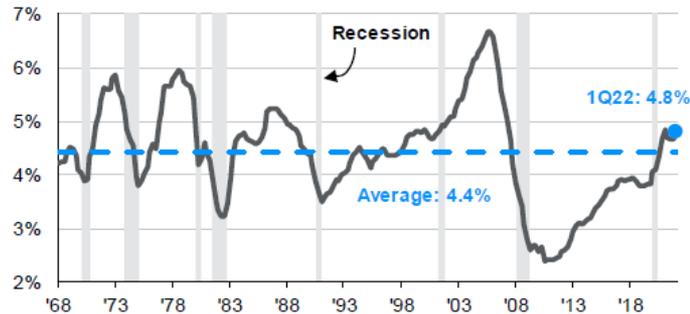
GDP Estimates Drop



Shallow Recession

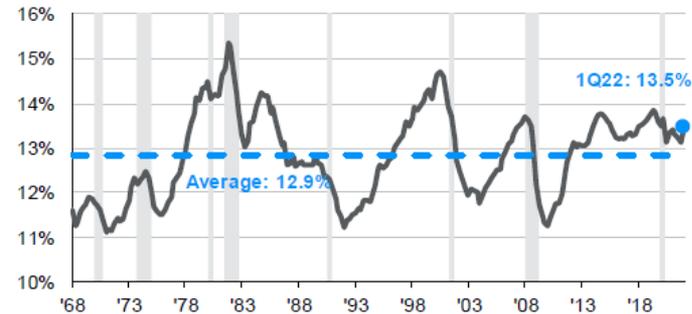
Residential investment as a % of GDP

Quarterly, seasonally adjusted



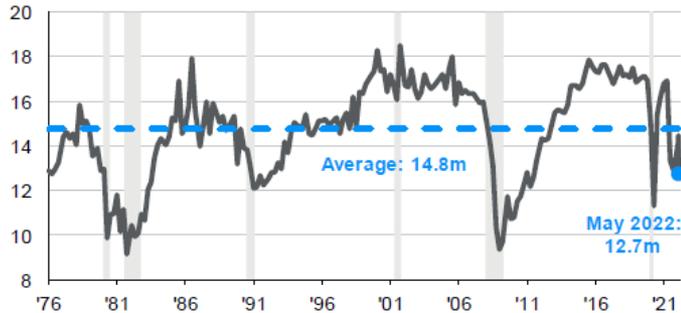
Business fixed investment as a % of GDP

Quarterly, seasonally adjusted



Light vehicle sales

Mil vehicles, seasonally adjusted ann. rate



Total business inventory/sales ratio

Days of sales, monthly, seasonally adjusted



Source: BEA, Census Bureau, FactSet, J.P. Morgan Asset Management. Data for light vehicle sales is quarterly apart from the latest monthly data point.

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Outlook



Valuations Look Attractive

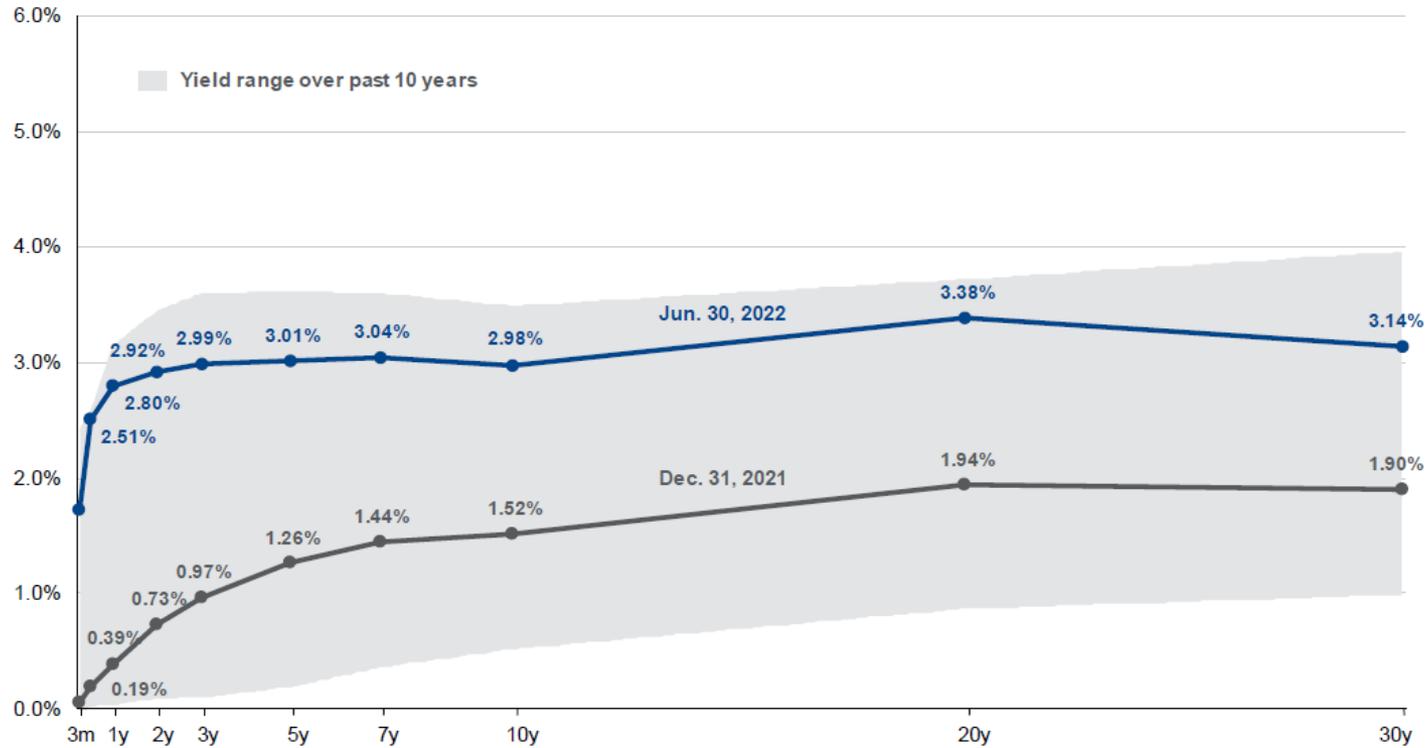
S&P 500 Index: Forward P/E ratio



Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since June 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are \$240. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability. Guide to the Markets - U.S. Data are as of June 30, 2022.

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U.S. Treasury yield curve



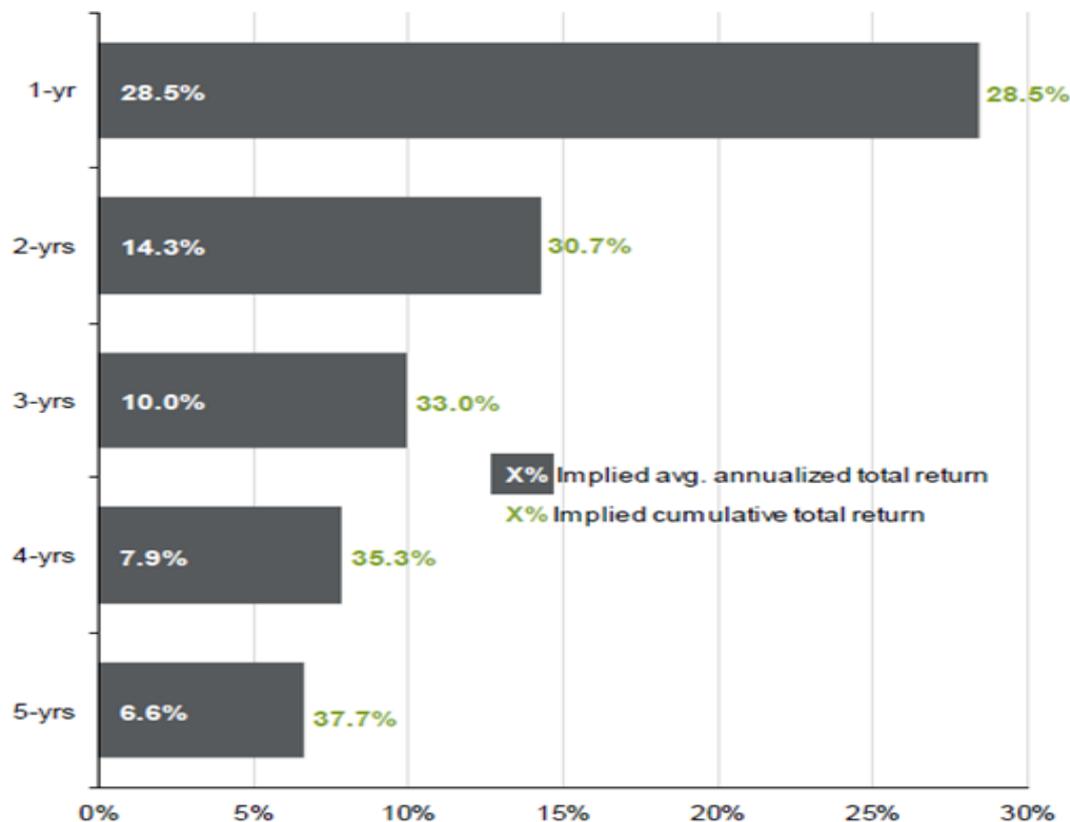
Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of June 30, 2022.



Returns to Peak

Return needed to reach January 2022 peak

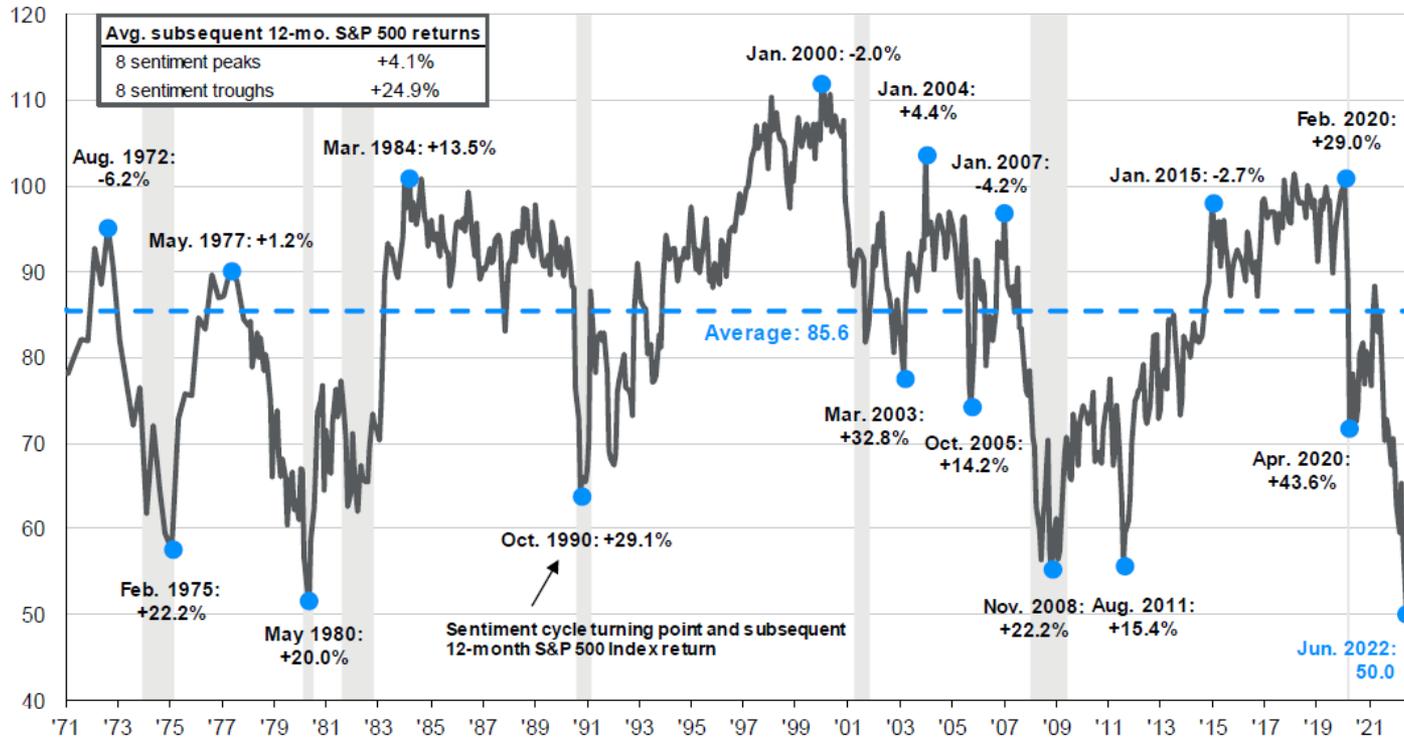
Current S&P 500 peak is 4797



Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. (Right) The current peak of 4797 was observed on January 3, 2022. The current market level as of June 30, 2022 is 3785. (Left) *A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. **The bear market beginning in January 2022 is currently ongoing. The "bear return" for this period is from the January 2022 market peak through the current trough. Averages for the bear market return and duration do not include figures from the current cycle. *Guide to the Markets* – U.S. Data are as of June 30, 2022.

Consumer Sentiment Contrarian?

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.
 Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Past performance is not a reliable indicator of current and future results.
 Guide to the Markets – U.S. Data are as of June 30, 2022.



Bull Market Recoveries

Stocks Do Well After They Go Into A Bear Market

S&P 500 Index Performance After Going Into A Bear Market (1950 - Current)

Date Bear Market Starts	Trading Days To Enter Bear Market	S&P 500 Index Returns		
		3 Months	6 Months	12 Months
10/21/1957	305	5.2%	9.3%	31.0%
5/28/1962	115	7.3%	11.2%	26.1%
8/29/1966	139	7.9%	17.6%	24.6%
1/29/1970	288	-4.9%	-8.9%	10.7%
11/27/1973	221	0.7%	-9.2%	-28.1%
2/22/1982	310	3.0%	1.3%	32.1%
10/19/1987	38	10.9%	14.7%	22.9%
3/12/2001	242	6.3%	-7.4%	-1.2%
7/9/2008	188	-20.0%	-27.2%	-29.1%
3/12/2020	16	21.0%	34.6%	59.0%
Average		3.8%	3.6%	14.8%
Median		5.8%	5.3%	23.8%
Higher		8	6	7
Count		10	10	10
% Higher		80.0%	60.0%	70.0%

Source: LPL Research, FactSet 05/20/22

All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future performance back to 1950 incorporates the performance of predecessor index, the S&P 90.



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Questions



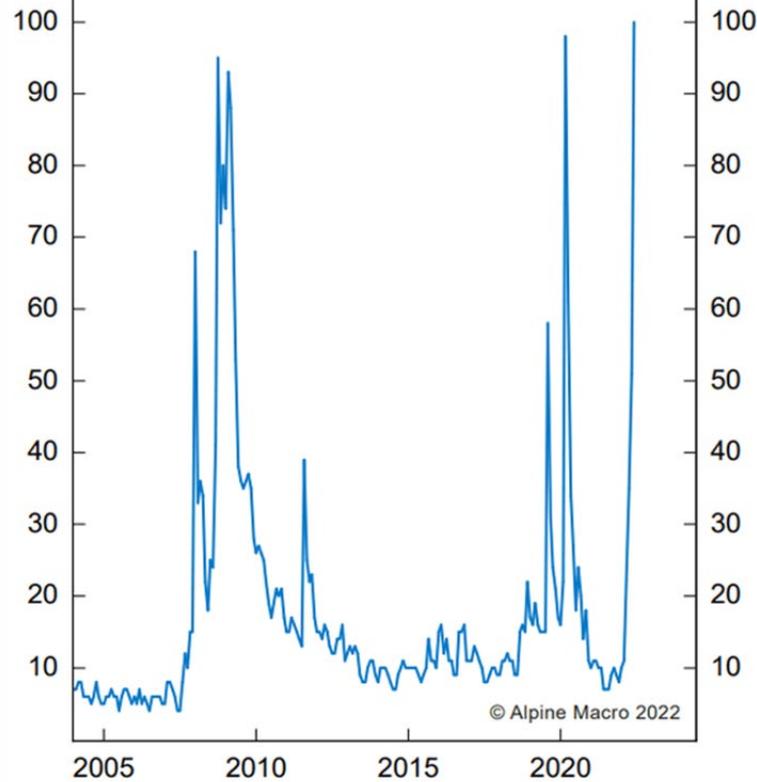




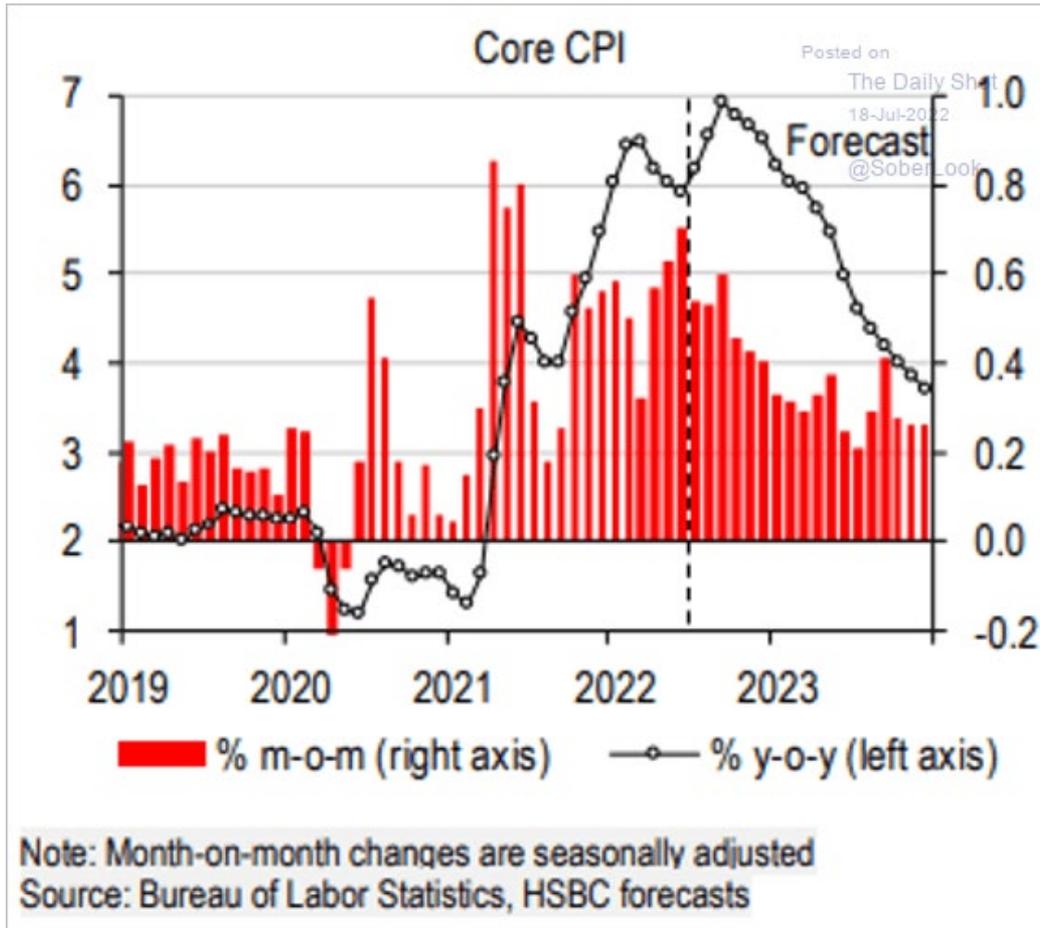
Chart 1 Everyone Is Talking About Recession Now

Posted on
DailyShot.com
28-Jun-2022

World Google Searches For "Recession" @SoberLook

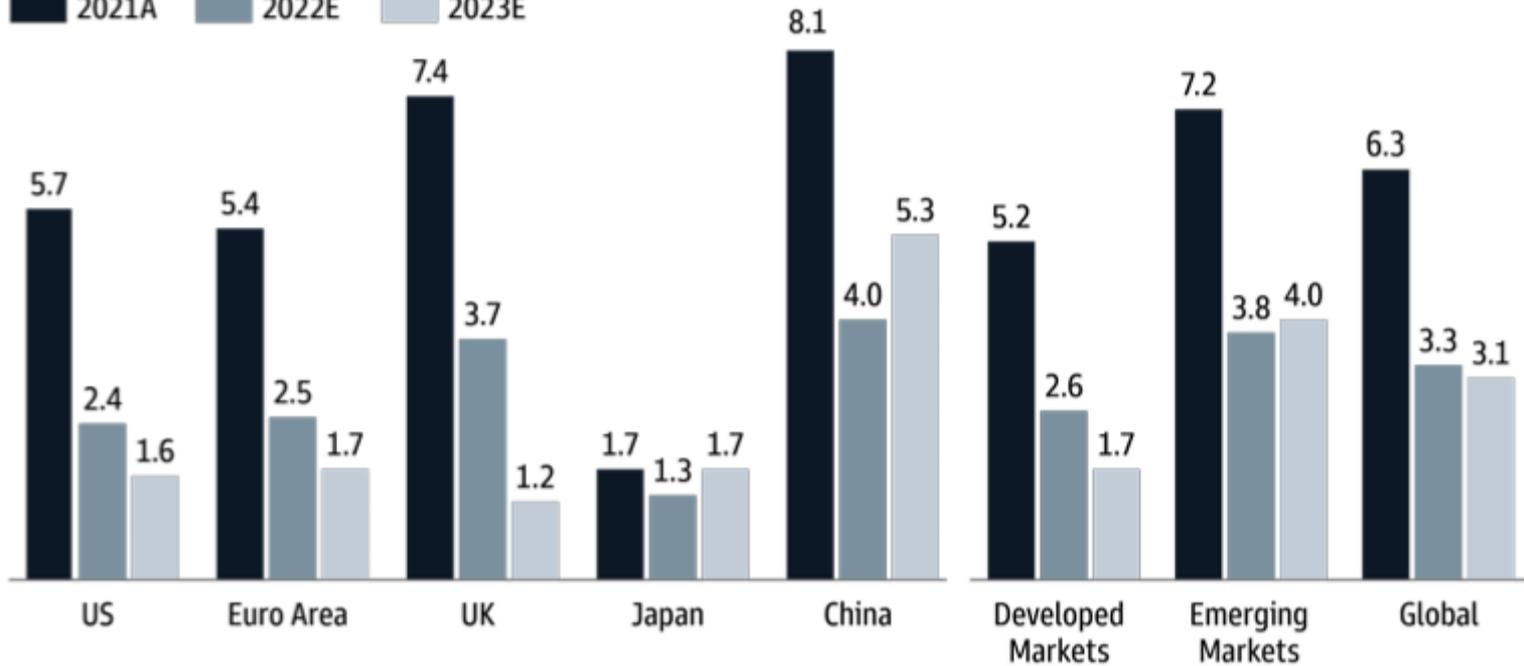


Note: Numbers represent search interest relative to the highest point on the chart for the given region and time.
Source: Google Trends

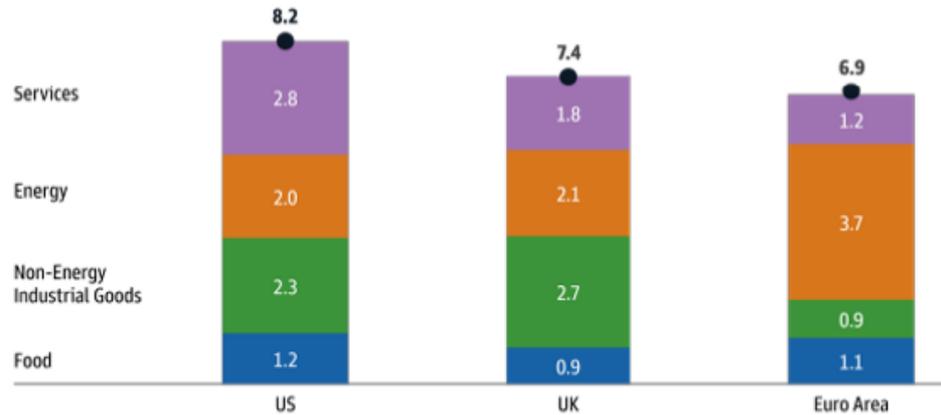


Real GDP Growth (%)

2021A 2022E 2023E



Year-on-Year Contributions to CPI (3-Month Average, %) ● Total



Central Bank	Expected Policy Rate Direction	Forecasted Terminal Policy Rate (%)	Expected Balance Sheet Actions	Potential Macro Risks
Fed	↑	3.25-3.50 (by 2022)	\$1.5T passive and possible active runoff in next 3 years	Tightening leads to hard landing
BoE	↑	2.50 (by 2023)	Passive runoff with clarity on active sales likely forthcoming	Inability to tame broad inflation
ECB	↑	1.50 (by 2023)	Net APP to end before Q3 but remain flexible	Recession amid higher energy prices
BoJ	↔	-0.10 (by 2022)	Continued JGB purchases	Inability to control yield curve
PBoC	↓	2.10 (by 2022)	Accommodative OMO and standing lending facilities	Excessive leverage

Average 12-Month S&P 500 Return Since 1975 (%)

US Real GDP	Real 10-Year Treasury Yield		
	Falling	Stable	Rising
Accelerating	19	16	19
Unchanging	14	15	12
Decelerating but growing	13	9	8
Decelerating and contracting	-3	-20	-19

Key Contributors to US Recessions

Recession	Fiscal	Industrial	Monetary	Oil	Financial	Pandemic
February 1945	Yes	No	No	No	No	No
November 1948	No	Yes	No	No	No	No
July 1953	Yes	No	No	No	No	No
August 1957	No	No	Yes	No	No	No
April 1960	No	No	Yes	No	No	No
December 1969	Yes	No	Yes	Yes	No	No
November 1973	No	No	Yes	Yes	No	No
January 1980	No	No	Yes	No	No	No
July 1981	No	No	Yes	No	No	No
July 1990	No	No	Yes	Yes	Yes	No
March 2001	No	No	No	No	Yes	No
December 2007	No	No	No	No	Yes	No
March 2020	No	No	No	No	No	Yes

Asset Class Performance in Different Inflation Environments

Asset Class Performance across Different Inflationary Environments (Ann., %)

Asset Class	Cold	Warm	Hot	Cooling	Unconditional
Equities	13	10	-8	10	7
Rates	5	3	-2	7	3
Credit	8	4	-4	6	4
Commodities	3	3	12	-2	4

Source: Bloomberg, Robert Shiller, and Goldman Sachs Asset Management.

