Economic & Market Overview

July 2022

BCT WEALTH ADVISORS

Partnerning with:

WILBANKS SMITH & THOMAS

Executive Overview

Economic and Market Headwinds Intensify in 2Q – Risk of Recession Rises

- Stubbornly high inflation is dominant challenge – expect 6-8% through 2022
- Fed takes aggressive action with 50 bps hike in May and 75 bps in June
- Global commodity shock and ongoing supply chain issues complicate matters
- Russian/Ukraine war leaves open wide range of scenarios

Equities: S&P 500's 20% Decline Through June Is Worst Start Since 1970

- Virtually all sectors, styles and geographies decline in 2Q
- Profit outlook is vulnerable as growth slows
- Valuations are more attractive now (assuming earnings hold up)

Bonds: Rout Continues in 2Q

- Monetary tightening drove yields higher across the board
- Yield curve now flat from 5 to 30 years – reflects recession risk
- Short duration portfolio positioning protected capital as yields rose

Market Returns Summary – June 30, 2022

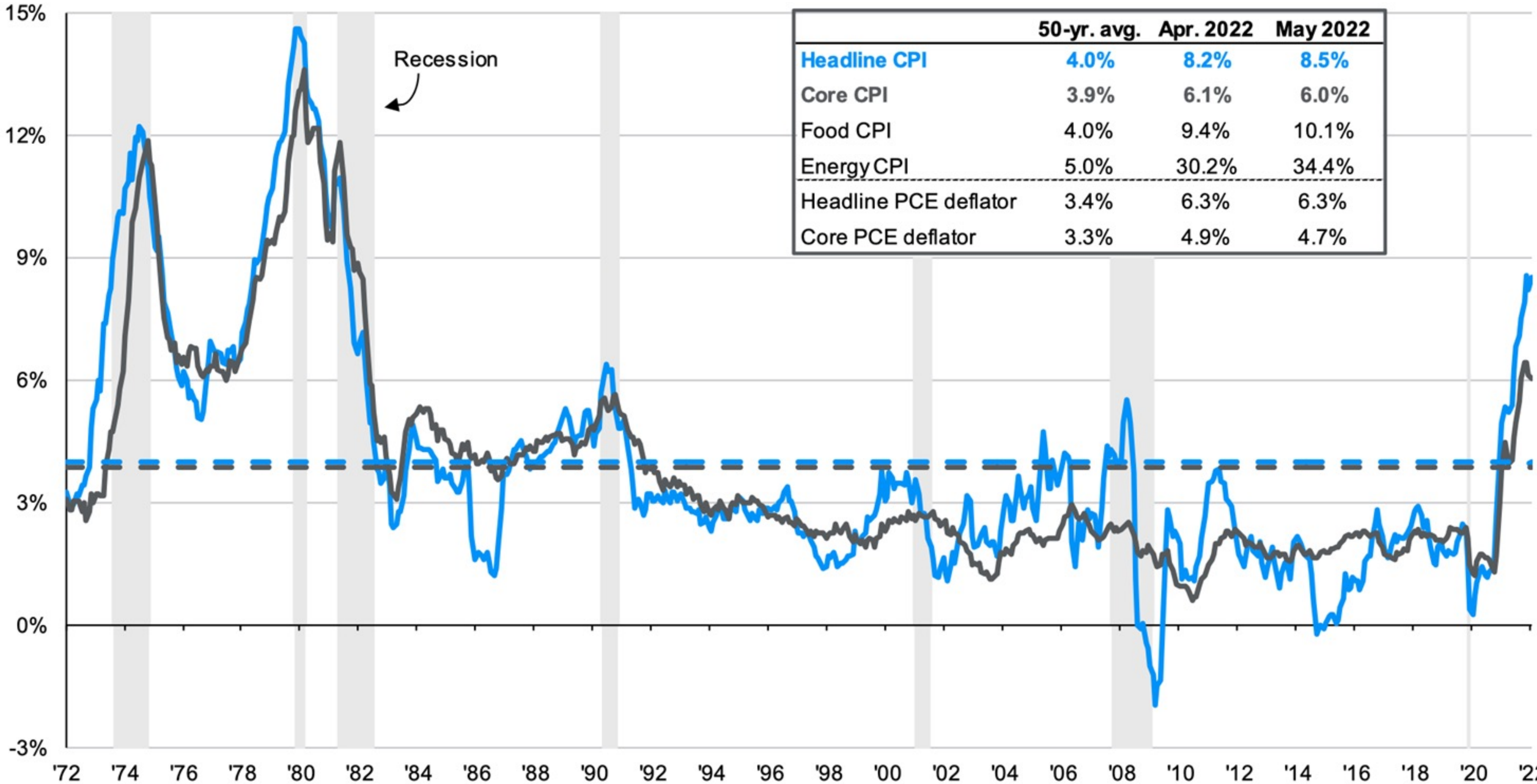
Equity Index	1 Week	MTD	1 Month	QTD	YTD	1 Year	3 Year	5 Year
Dow Jones Industrial Average	1.0	-6.6	-6.6	-10.8	-14.4	-9.0	7.2	10.0
S&P 500 Index	0.7	-8.3	-8.3	-16.1	-20.0	-10.6	10.5	11.3
Large Cap Stocks (Russell 1000)	0.7	-8.4	-8.4	-16.7	-20.9	-13.0	10.1	11.0
Growth	0.8	-7.9	-7.9	-20.9	-28.1	-18.7	12.5	14.2
Value	0.6	-8.7	-8.7	-12.2	-12.9	-6.8	6.8	7.1
Small Cap Stocks (Russell 2000)	1.1	-8.2	-8.2	-17.2	-23.4	-25.1	4.2	5.2
Growth	2.5	-6.2	-6.2	-19.3	-29.5	-33.3	1.4	4.8
Value	0.0	-9.9	-9.9	-15.3	-17.3	-16.2	6.1	4.9
MSCI All Country World Index	0.5	-8.4	-8.4	-15.5	-20.0	-15.3	6.7	7.5
International Stocks (MSCI EAFE)	-0.2	-9.3	-9.3	-14.3	-19.3	-17.3	1.5	2.7
Growth	1.1	-8.6	-8.6	-16.7	-26.6	-23.4	1.6	3.8
Value	-1.4	-9.9	-9.9	-12.1	-11.7	-11.2	0.8	1.1
Emerging Markets Stocks (MSCI EM)	1.1	-6.6	-6.6	-11.3	-17.5	-24.9	0.9	2.5
Fixed Income Index/ETF	**1 Week**	**MTD**	**1 Month**	**QTD**	**YTD**	**1 Year**	**3 Year**	**5 Year**
Barclays U.S. Aggregate Bond Index	0.8	-1.6	-1.6	-4.7	-10.3	-10.3	-0.9	0.9
iShares 1-3 Year Treasury Bond ETF	0.2	-0.6	-0.6	-0.5	-3.0	-3.5	0.1	0.8
iShares 3-7 Year Treasury Bond ETF	0.9	-0.7	-0.7	-2.0	-6.9	-7.8	-0.6	0.7
iShares 20+ Year Treasury Bond ETF	1.5	-1.3	-1.3	-12.6	-21.9	-19.0	-3.1	0.3
iShares TIPS Bond ETF	-0.9	-3.1	-3.1	-6.2	-9.0	-5.2	2.8	3.0
iShares National AMT-Free Municipal Bond ETF	0.8	-1.5	-1.5	-2.5	-7.8	-7.6	0.0	1.5
SPDR Barclays Intermediate Term Corporate Bond ETF	0.7	-1.9	-1.9	-3.9	-9.0	-9.5	-0.2	1.4
SPDR Barclays High Yield Bond ETF	-0.7	-7.6	-7.6	-10.4	-14.8	-13.7	-1.2	1.0
PowerShares Senior Loan ETF	-1.2	-3.5	-3.5	-6.1	-6.7	-5.5	-0.1	1.3
SPDR Barclays International Treasury Bond ETF	0.7	-4.6	-4.6	-10.8	-17.7	-20.3	-6.2	-2.5
iShares JPM USD Emerging Market Bond ETF	-0.6	-6.2	-6.2	-11.7	-20.3	-20.9	-5.2	-1.3

Source: Factset.

Inflation Is Key Variable | Did Not Prove Transitory

CPI and core CPI

% change vs. prior year, seasonally adjusted

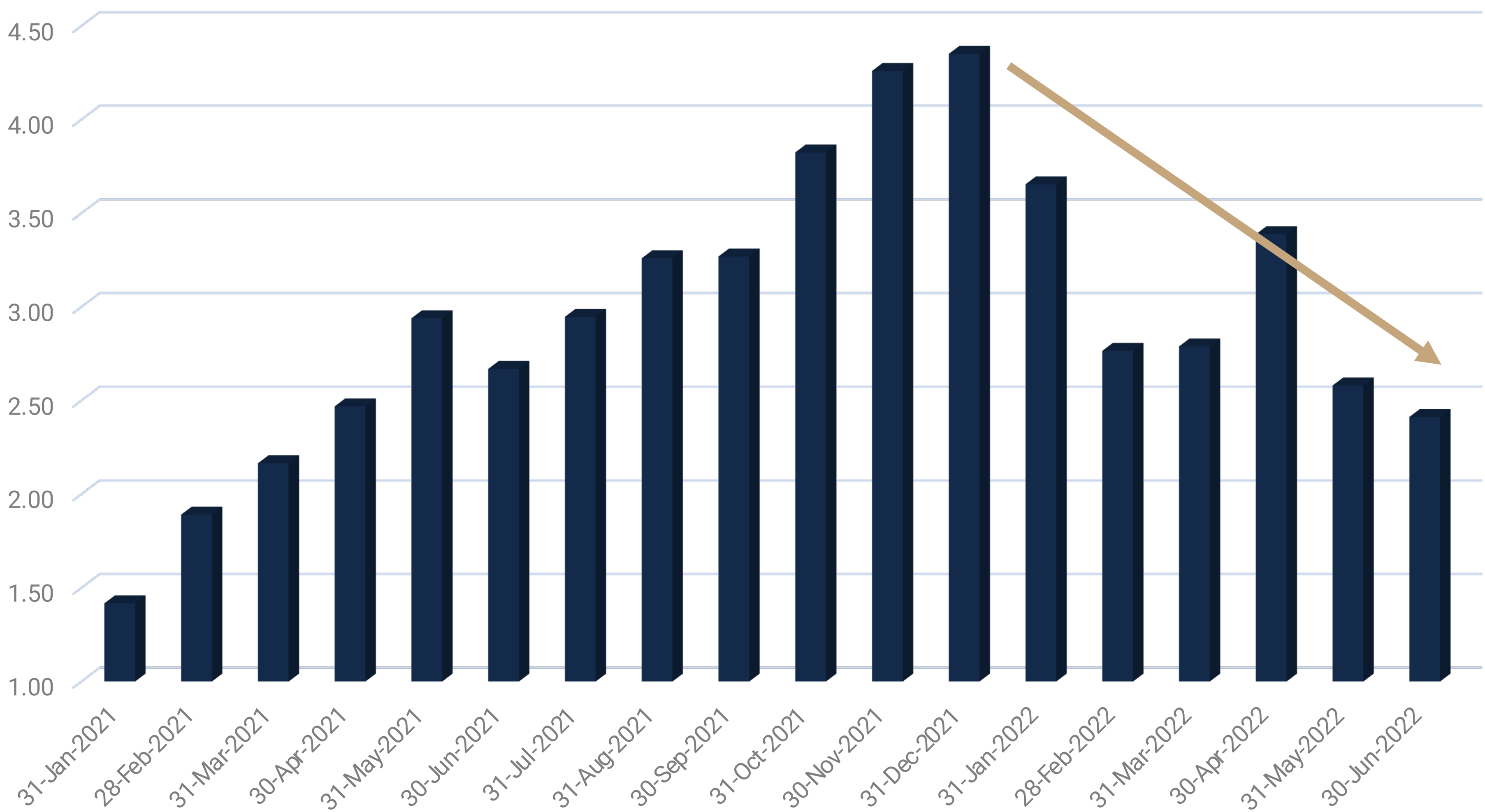


	50-yr. avg.	Apr. 2022	May 2022
Headline CPI	4.0%	8.2%	8.5%
Core CPI	3.9%	6.1%	6.0%
Food CPI	4.0%	9.4%	10.1%
Energy CPI	5.0%	30.2%	34.4%
Headline PCE deflator	3.4%	6.3%	6.3%
Core PCE deflator	3.3%	4.9%	4.7%

Source: BLS, FactSet, J.P.Morgan Asset Management. CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations. Guide to the Markets – U.S. Data are as of June 30, 2022.

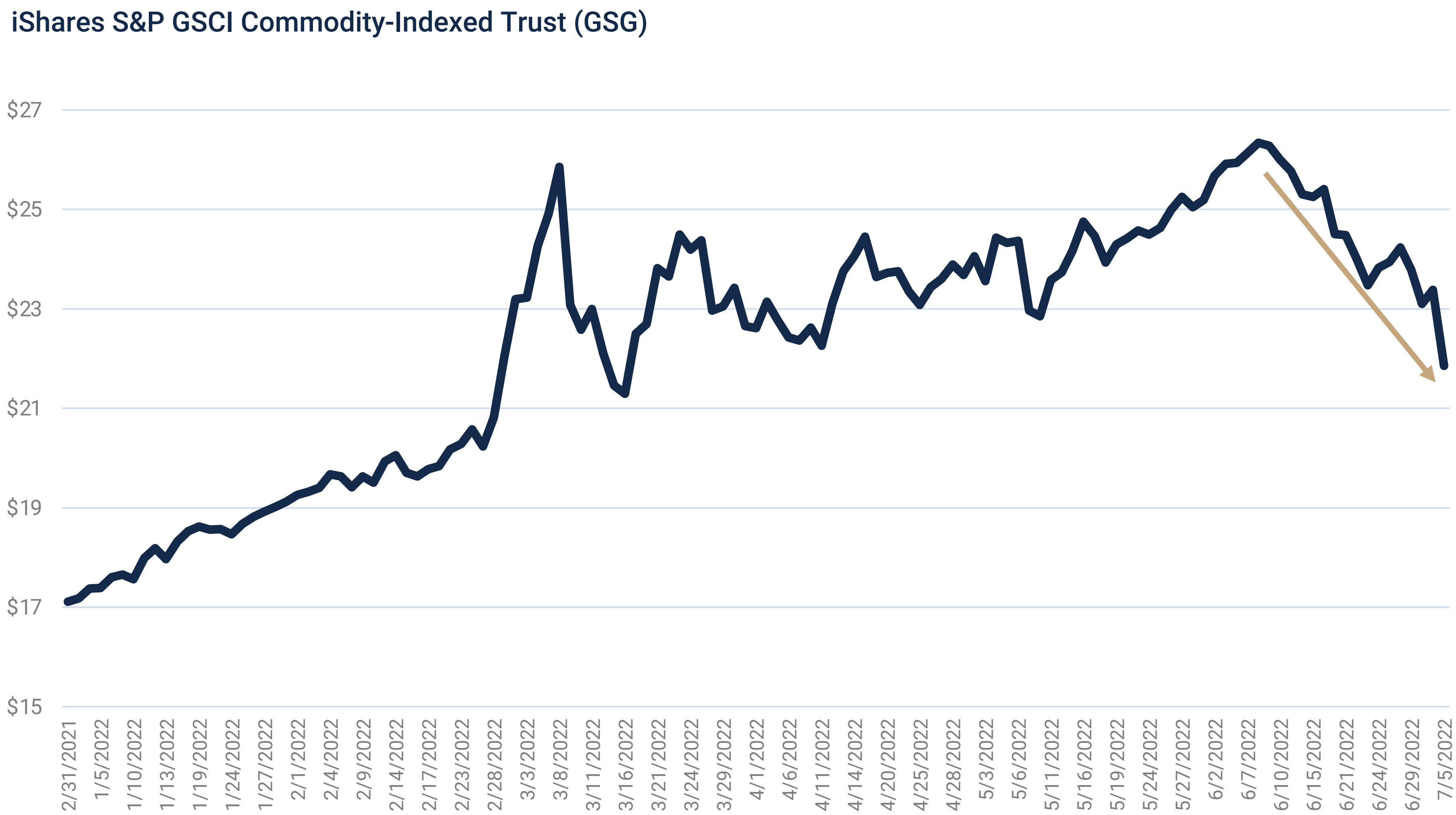
Easing Pressure Should Help

New York Fed Global Supply Chain Pressure Index



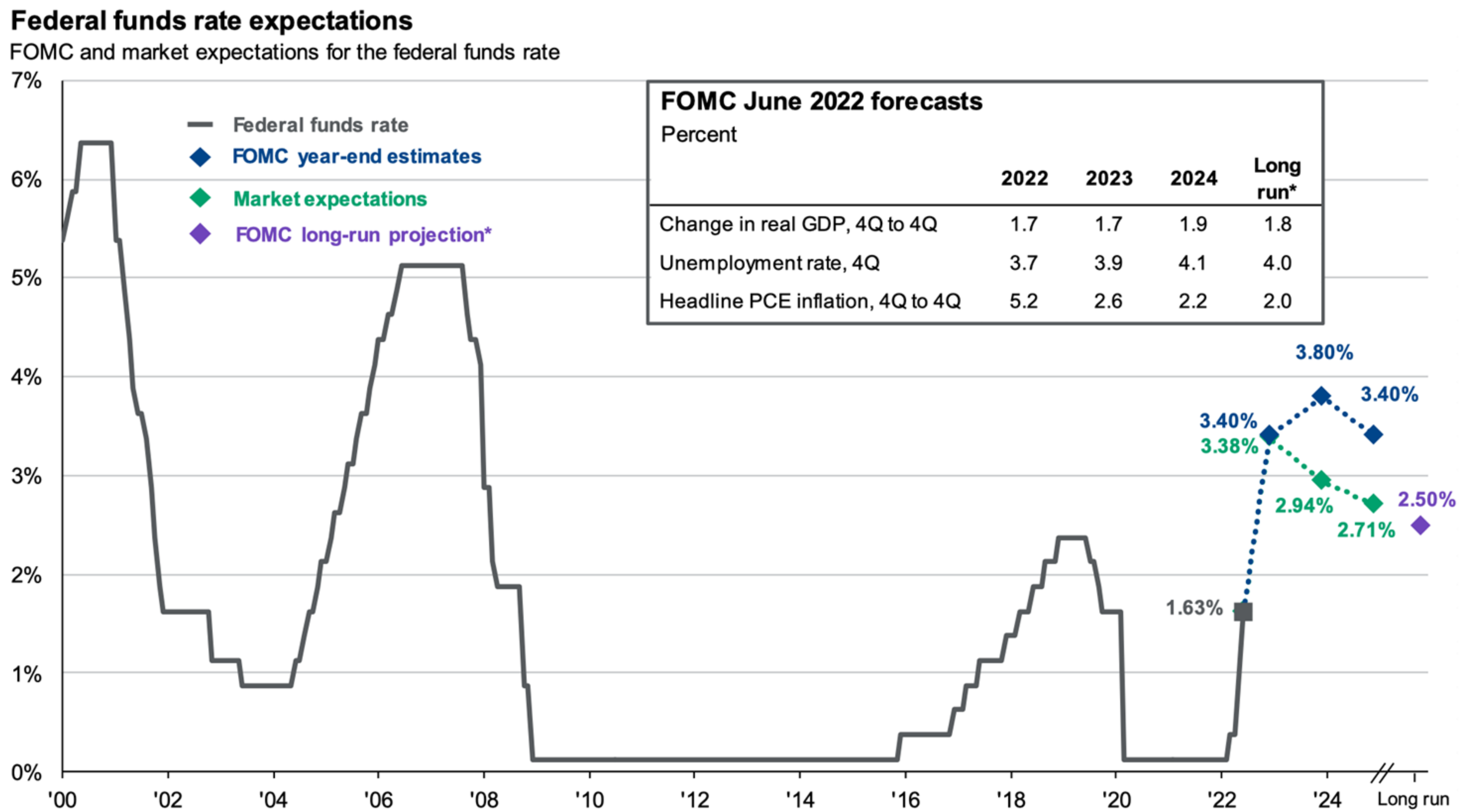
Source: New York Federal Reserve

Commodity Prices Have Eased



Source: Factset data from 12/31/21 - 7/5/22

Fed Needs to Thread the Needle on Pace of Tightening



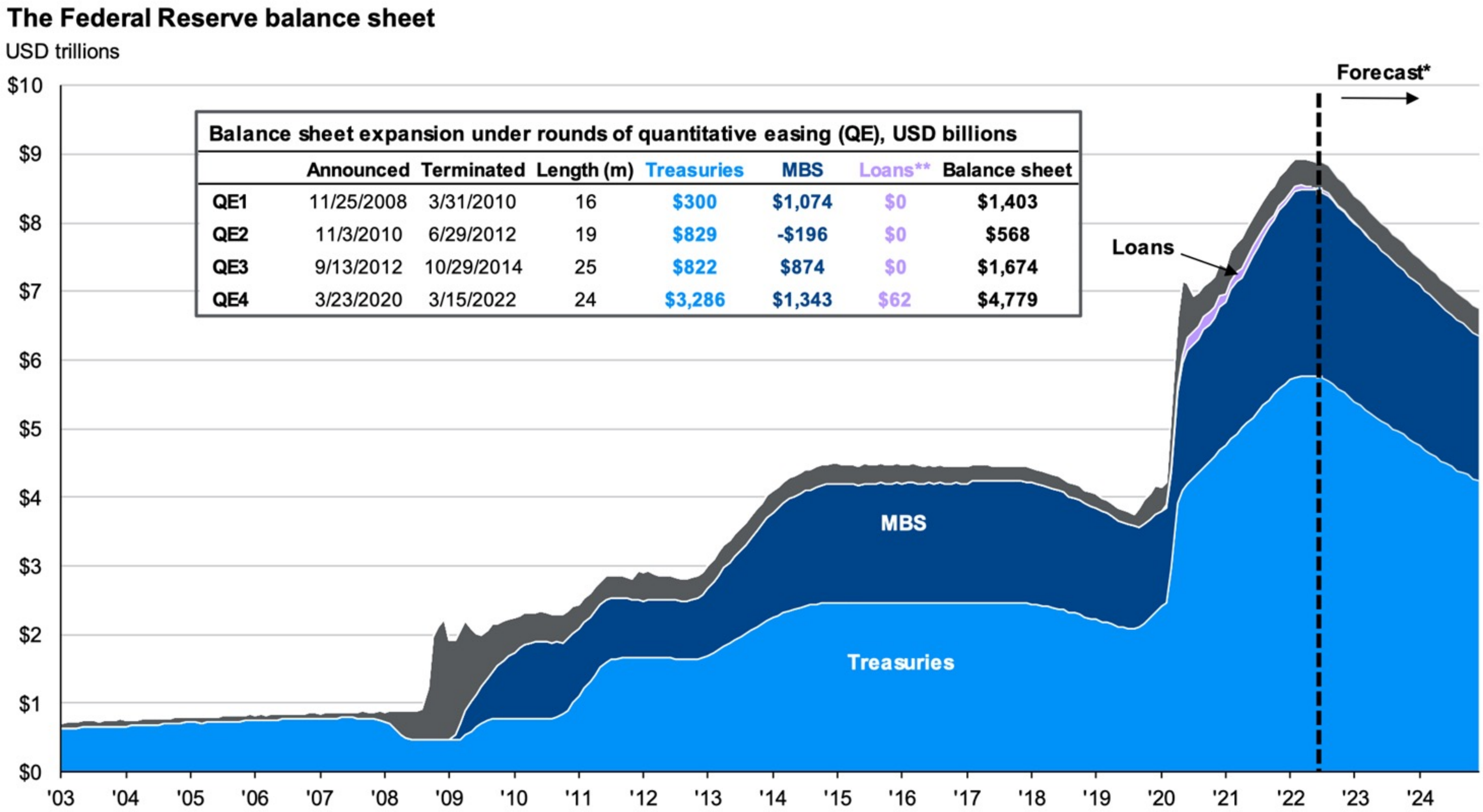
FOMC June 2022 forecasts

Percent

	2022	2023	2024	Long run*
Change in real GDP, 4Q to 4Q	1.7	1.7	1.9	1.8
Unemployment rate, 4Q	3.7	3.9	4.1	4.0
Headline PCE inflation, 4Q to 4Q	5.2	2.6	2.2	2.0

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of the USD Overnight Index Forward Swap rates. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of June 30, 2022.

The Unwinding Of Quantitative Easing Adds Risk In Second Half of 2022



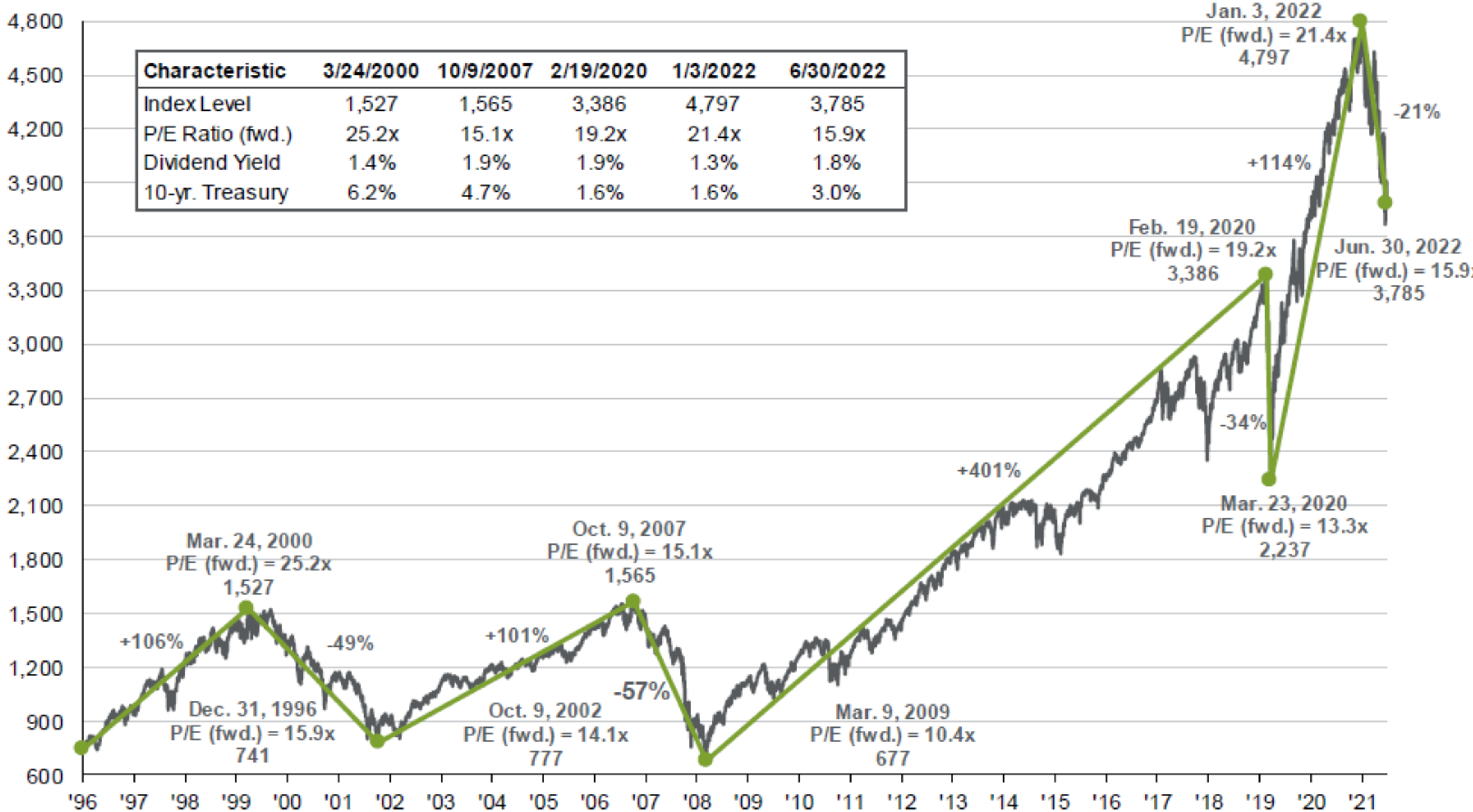
Balance sheet expansion under rounds of quantitative easing (QE), USD billions

	Announced	Terminated	Length (m)	Treasuries	MBS	Loans**	Balance sheet
QE1	11/25/2008	3/31/2010	16	$300	$1,074	$0	$1,403
QE2	11/3/2010	6/29/2012	19	$829	-$196	$0	$568
QE3	9/13/2012	10/29/2014	25	$822	$874	$0	$1,674
QE4	3/23/2020	3/15/2022	24	$3,286	$1,343	$62	$4,779

Source: FactSet, Federal Reserve, J.P. Morgan Investment Bank, J.P. Morgan Asset Management. Currently, the balance sheet contains $5.7tn in Treasuries and $2.6tn in MBS. *The end balance sheet forecast assumes the Federal Reserve reduces the pace of purchases of Treasuries and MBS by $30bn per month, beginning January through mid-March, as suggested in the December 2021 FOMC meeting. **Loans include liquidity and credit extended through corporate credit facilities established in March 2020. Other includes primary, secondary and seasonal loans, repurchase agreements, foreign currency reserves and maiden lane securities. ***QE4 is ongoing and the expansion figures are as of the most recent Wednesday close as reported by the Federal Reserve. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data are as of June 30, 2022.

Stocks Market Performance Reflects Economic Challenges

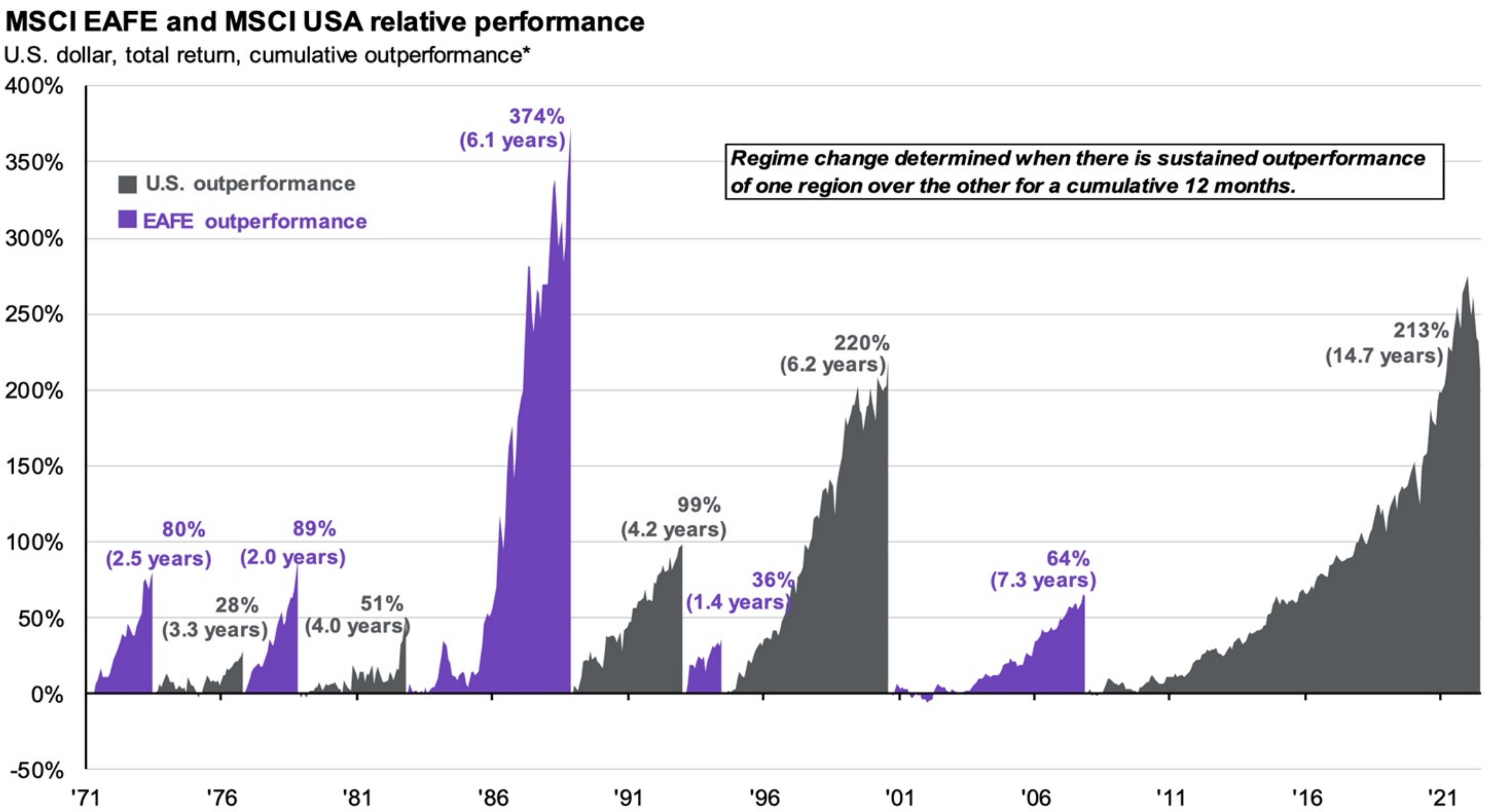
S&P 500 Price Index



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	6/30/2022
Index Level	1,527	1,565	3,386	4,797	3,785
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	15.9x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.8%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	3.0%

Source: Compustat, FactSet, Federal Reserve, 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 J.P. Morgan Asset Management estimates. 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.

Returning To The Case For Global Diversification



Source: FactSet, MSCI, J.P. Morgan Asset Management. *Cycles of outperformance include a qualitative component to determine turning points in leadership. Guide to the Markets – U.S. Data are as of June 30, 2022.

International Stocks Remain Relatively Attractive

International: Price-to-earnings discount vs. U.S.

MSCI AC World ex-U.S. vs. S&P 500 Indices, next 12 months

	20 yr. avg. P/E ratio	Current P/E ratio
S&P 500	15.5x	15.9x
ACWI ex-U.S.	13.2x	11.7x

International: Difference in dividend yields vs. U.S.

MSCI AC World ex-U.S. minus S&P 500 Indices, next 12 months

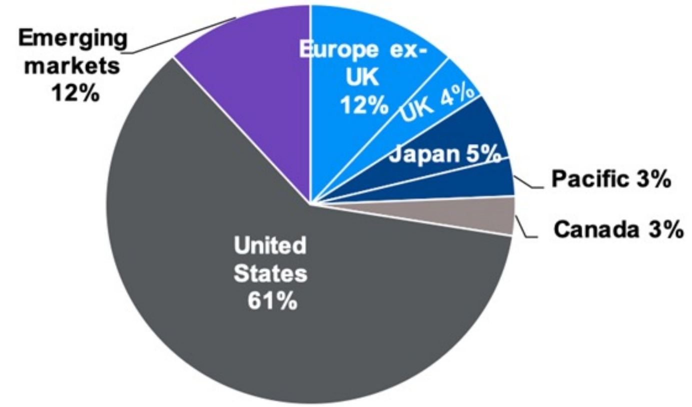
Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of June 30, 2022.

Dollar Strength Depressed Returns on Foreign Stocks for U.S. Investors in 1H

Returns	2022 YTD		2021		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	-20.0	-	28.7	10.7	0.90
AC World ex-U.S.	-11.6	-18.2	13.5	8.3	4.2	1.07
EAFE	-10.9	-19.3	19.2	11.8	4.1	1.04
Europe ex-UK	-17.3	-23.6	24.4	16.5	4.8	1.18
Emerging markets	-13.5	-17.5	0.1	-2.2	4.8	1.18
Selected Countries						
United Kingdom	1.7	-8.8	19.6	18.5	2.3	1.02
France	-14.8	-21.7	29.7	20.6	4.7	1.22
Germany	-21.8	-28.1	13.9	5.9	4.7	1.31
Japan	-5.7	-20.1	13.8	2.0	3.4	0.72
China	-9.9	-11.2	-21.6	-21.6	5.8	1.10
India	-9.8	-15.1	28.9	26.7	6.7	1.26
Brazil	-3.4	2.9	-11.2	-17.2	0.9	1.50
Korea	-21.7	-28.3	0.8	-7.9	5.9	1.49

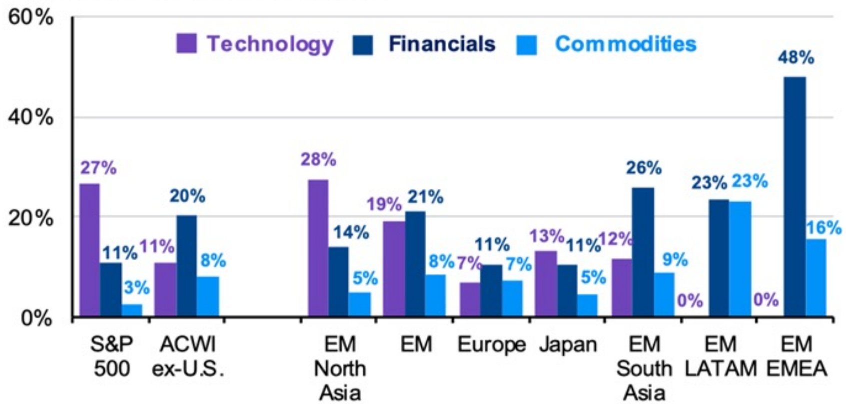
Weights in MSCI All Country World Index

% global market capitalization, float adjusted



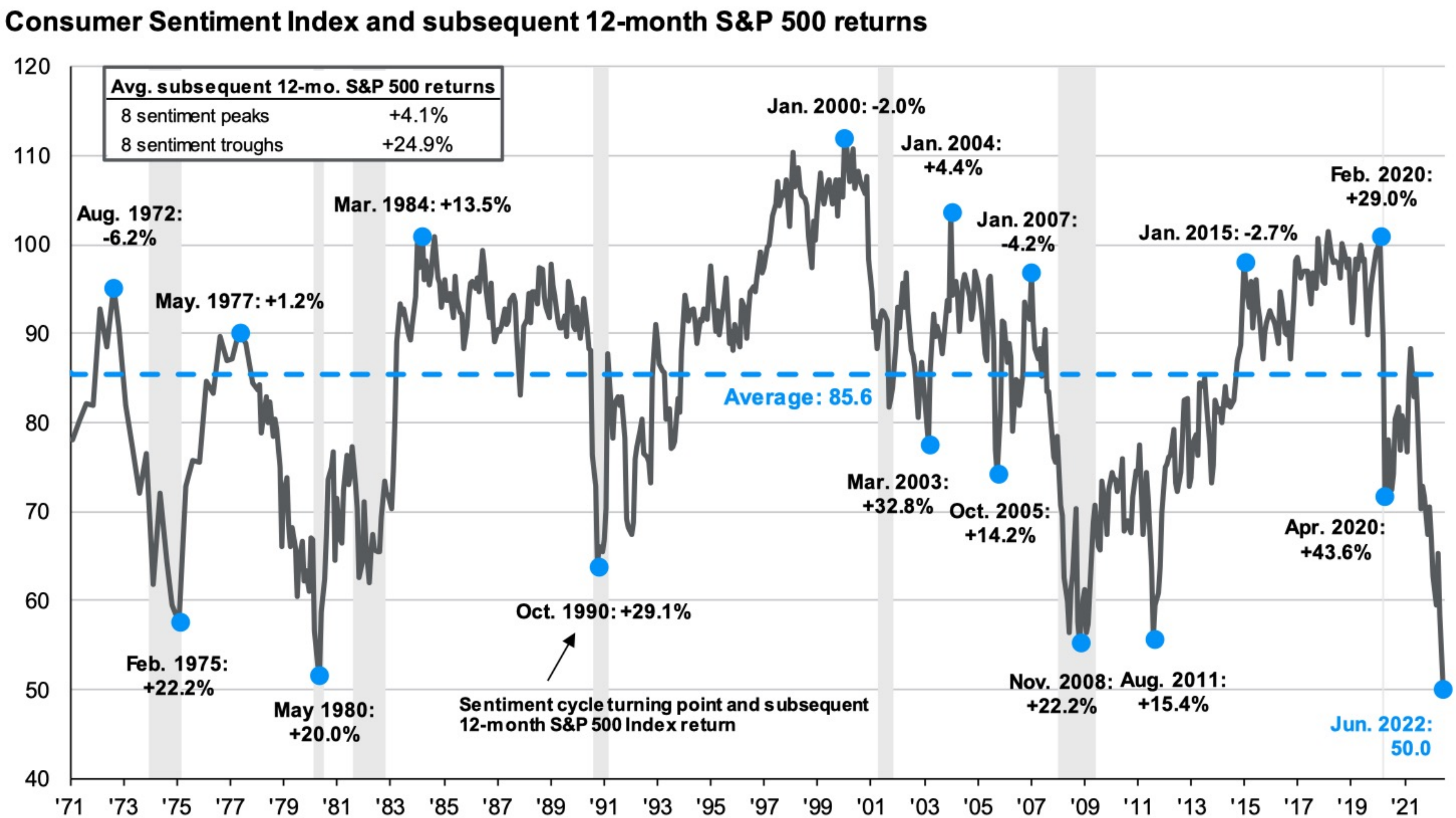
Representation of key sectors in international markets

% of index market capitalization



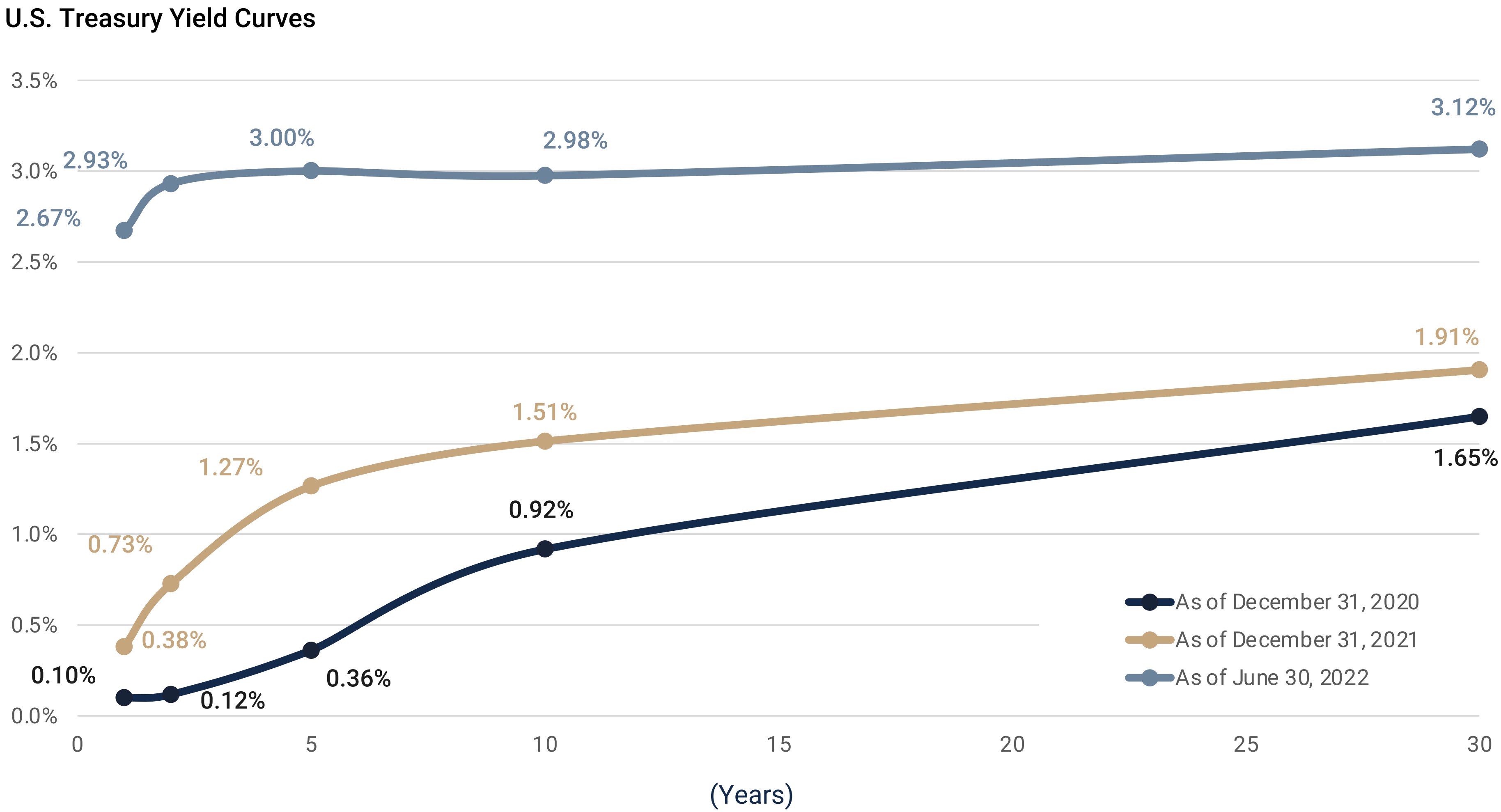
Source: FactSet, Federal Reserve, MSCI, Standard & Poor's, J.P. Morgan Asset Management. All return values are MSCI Gross Index data. 15-year history based on USD returns. 15-year return and beta figures are calculated for the time period 12/31/2006 to 12/31/2021. Beta is for monthly returns relative to the MSCI AC World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of 4. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. *Sector breakdown includes the following aggregates: Technology (Information Technology) and cyclicals (Consumer Discretionary, Financials, Industrials, Energy and Materials). The Internet and direct marketing subsector has been removed from the cyclicals calculation. In our judgement, companies in this space do not yet fit into the cyclical category, as they are still in a transitional growth phase and are not being directly impacted by the business cycle. EM North Asia includes China, Taiwan and South Korea. EM South Asia includes India, Indonesia, Malaysia, Pakistan, Philippines, Taiwan and Thailand. Guide to the Markets – U.S. Data are as of June 30, 2022.

Consumer Sentiment Is Often A Contrary Indicator



Source: JPMorgan Guide To The Markets

Interest Rates – Q2 – Stubborn Inflation and Increasingly Hawkish Fed Drive Rates Higher

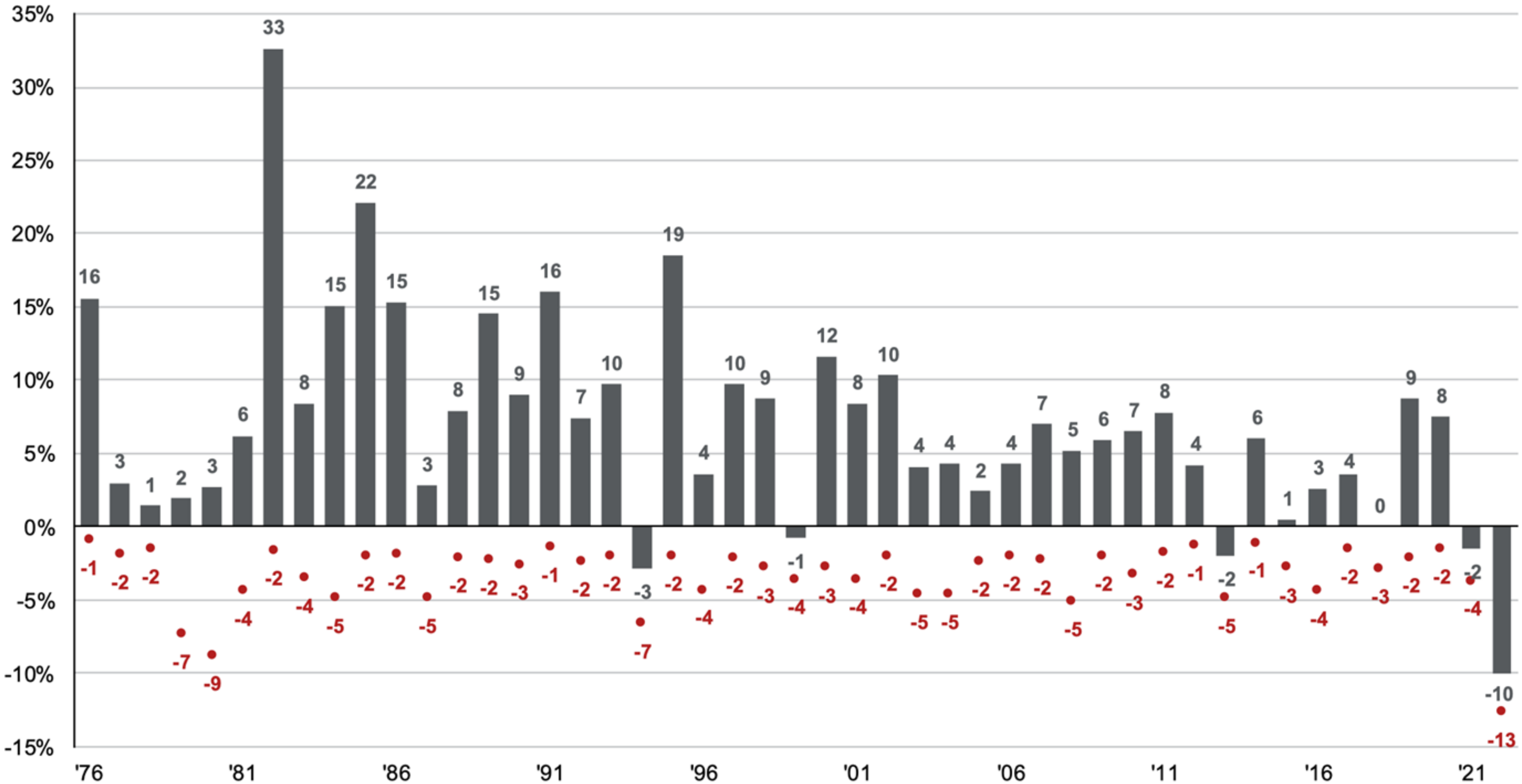


Source: Factset. US Treasury yield curves as of 12/31/2020, 12/31/2021, and 6/30/2022.

Bonds Break Long String of Positive Returns

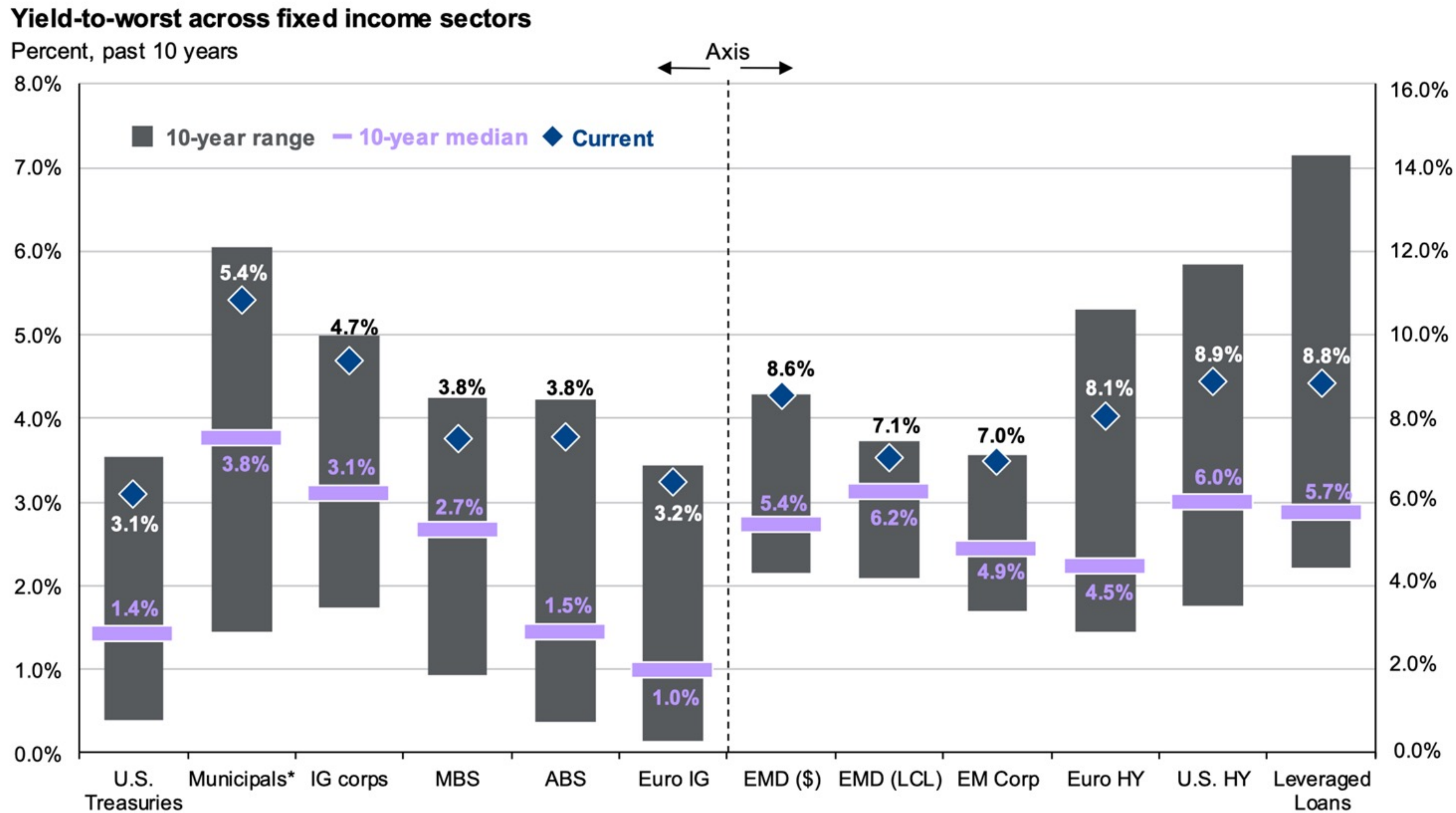
Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

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.

And Now Offer Higher Returns Because Yields Have Risen

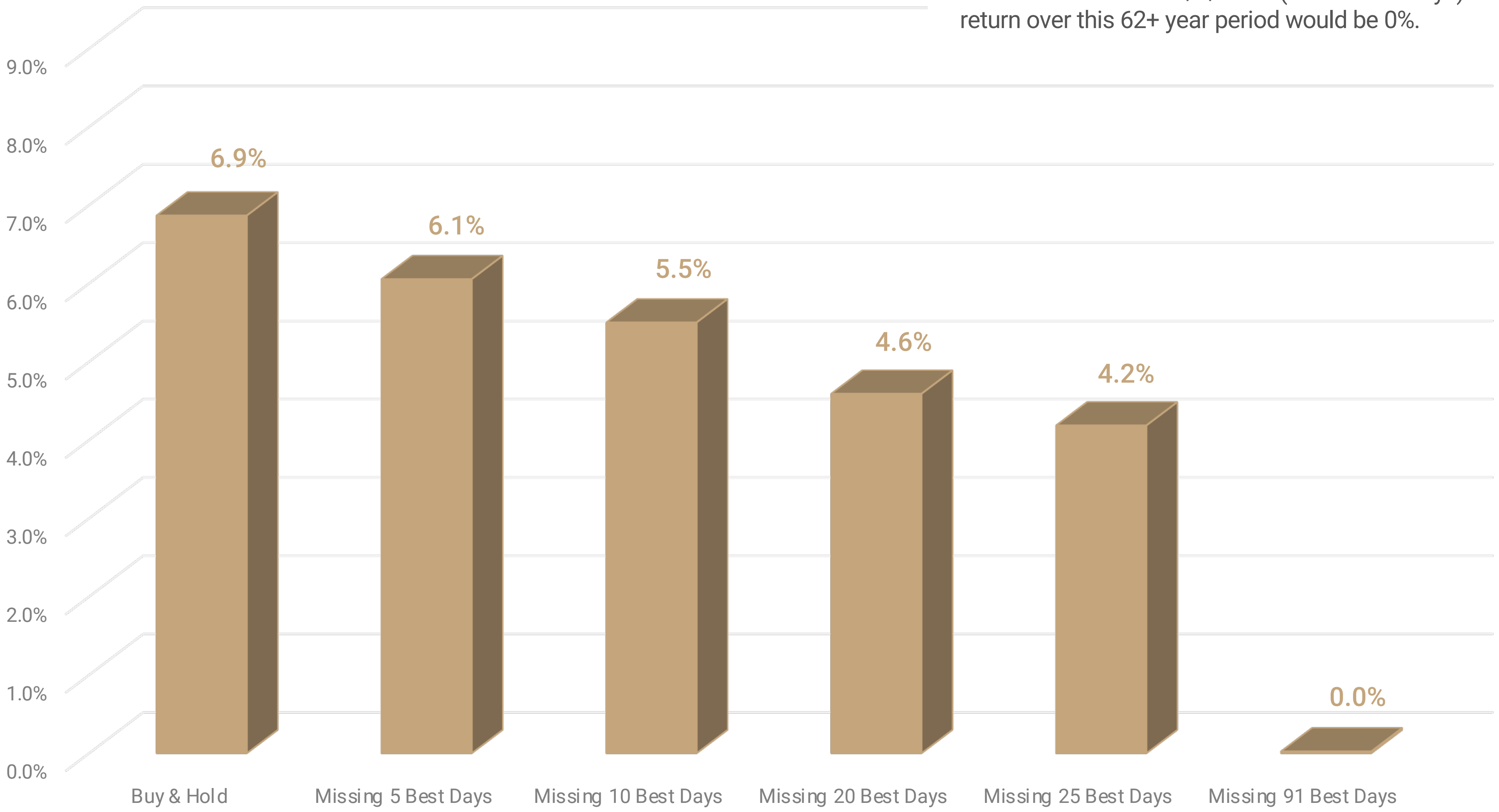


Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management. Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD ($): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged loans: JPM Leveraged Loan Index. Spread-to-worst indicated is the difference between the yield-to-worst of a bond and yield-to-worst of a U.S. Treasury security with a similar duration. All sectors shown are spread-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst, and Leveraged loans, which are based on spread to 3Y takeout. EM (LCL) spread-to-worst is calculated using the index yield less the YTM on the 5-year U.S. Treasury bellwether index. Guide to the Markets – U.S. Data are as of June 30, 2022.

As Tempting as it Seems… Market Timing Doesn't Work

Market timing has a negative impact on long term stock returns. If an investor missed the 91 best days in the market since 1/1/1960 (.58% of all days) the return over this 62+ year period would be 0%.

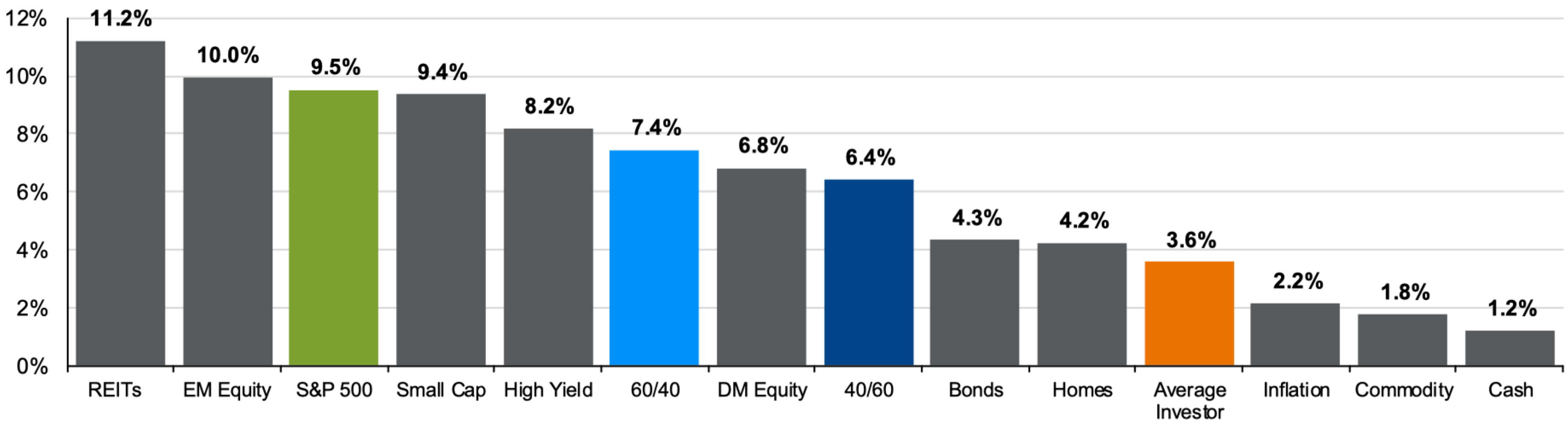
S&P 500 Index Annualized Price Return From 12/31/1959



Source: Macrotrend and Factset.

Investor Behavior Detracts from Long-Term Returns

20-year annualized returns by asset class (2002 – 2021)



Source: Bloomberg, FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Bottom) Dalbar Inc, MSCI, NAREIT, Russell.
Indices used are as follows: REITs: NAREIT Equity REIT Index, Small Cap: Russell 2000, EM Equity: MSCI EM, DM Equity: MSCI EAFE, Commodity: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Bonds: Bloomberg U.S. Aggregate Index, Homes: median sale price of existing single-family homes, Cash: Bloomberg 1-3m Treasury, Inflation: CPI. *60/40: A balanced portfolio with 60% invested in S&P 500 Index and 40% invested in high-quality U.S. fixed income, represented by the Bloomberg U.S. Aggregate Index. The portfolio is rebalanced annually. Average asset allocation investor return is based on an analysis by Dalbar Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior.
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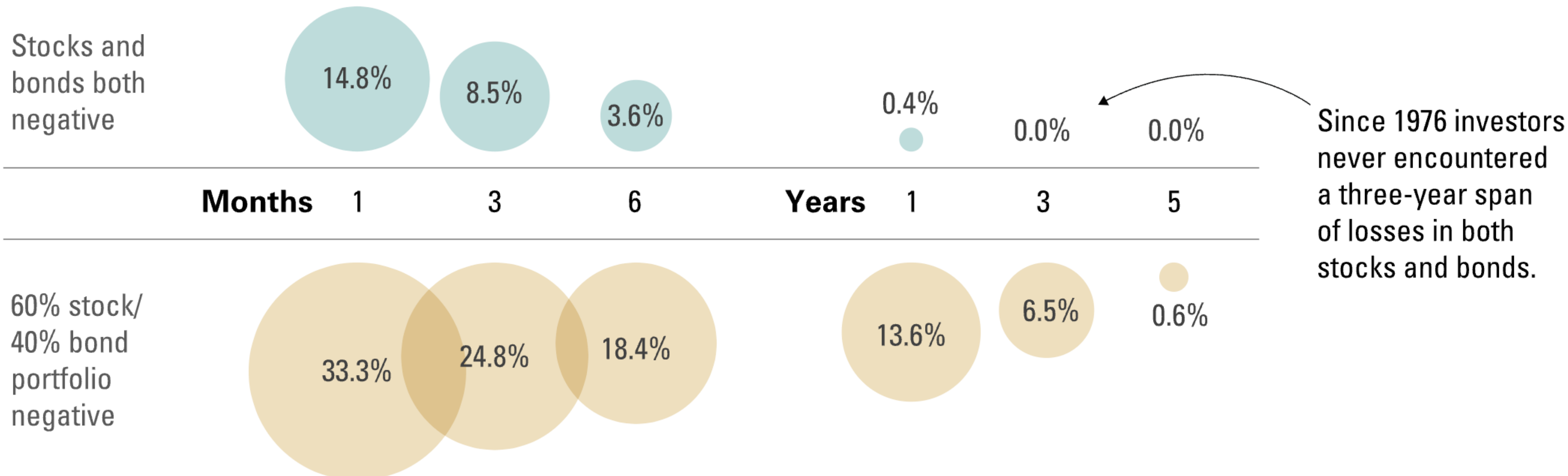
Percentage of time periods with negative total returns



Despite volatility, the annualized return of 60% U.S. stock and 40% U.S. bond portfolio from January 1, 1926, through December 31, 2021, was 8.8%.

Source: Vanguard

Summary and Game Plan

Maintaining Cautious Outlook As Risks Abound

- Recession risk growing
- Inflation remains stubborn
- Fed is in uncharted waters
- New COVID variant

Equities Remain Asset Of Choice For Long-Term Growth

- Valuations improving
- Earnings will drive short-term performance
- International stocks relatively attractive

Bonds Returns Are More Attractive, But Structure Matters

- Sell-off creates opportunity in 2-5 year range
- Keeping maturities short - no compensation for additional duration risk
- Continue to overweight credit exposure if economy remains healthy

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Barclays US Aggregate Bond Index: Benchmark covering the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

Yield to Call is the yield of a bond or note if you were to buy and hold the security until the call date. This yield is valid only if the security is called prior to maturity.

Yield to Maturity is the rate of return anticipated on a bond if it is held until the maturity date.

During the period(s) shown, there were no material market or economic conditions which affected the results portrayed. With the exception of several market corrections during the period(s), the overall market as measured by the S&P 500 was generally rising. If such trends are broken, the clients may experience real capital losses in their managed accounts.

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Small company issues can be subject to increased volatility and considerable price fluctuations.

Commodities and futures generally are volatile and are not suitable for all investors. The value of commodity funds relate directly to the value of the futures contracts and other assets held within the fund and any fluctuation in the value of these assets could adversely affect an investment in commodities.

High yield bonds are rated in the lower rating categories by the various credit rating agencies, investors must take into account the special nature of such securities and certain special considerations in assessing the risk associated with such investments. Securities in the lower rating categories are subject to greater risk of loss of principal and interest than higher-rated securities and are generally considered to be predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal.

MSCI EAFE Index: A free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following 22 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.

MSCI Emerging Markets Index: A free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

S&P 500 Index: The S&P 500 Index is a market capitalization-weighted index, including reinvestment of dividends and capital gains distributions that is generally considered representative of the U.S. stock market.

The projections or other information generated by the Vanguard Capital Markets Model® (VCMM) regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Distribution of return outcomes from VCMM, derived from 10,000 simulations for U.S. equity returns and fixed income returns. Simulations as of October 31, 2013. Results from the model may vary with each use and over time.

Projections or other information generated regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not a guarantee of future results. Assumption used or shown may be based on information provided and reviewed by the client. Those assumptions must be reconsidered on a frequent basis to ensure that results are adjusted accordingly since any alteration in assumptions can have a significant impact on projections. Any inaccurate or incomplete representation by the client of any facts or assumptions used herein will invalidate the projections. Actual results may also vary to a material degree due to external factors beyond the scope and control of the projections and assumptions in this report.

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