



Conference Forum—March 2022



**Wespath**

BENEFITS | INVESTMENTS

# Investment Update

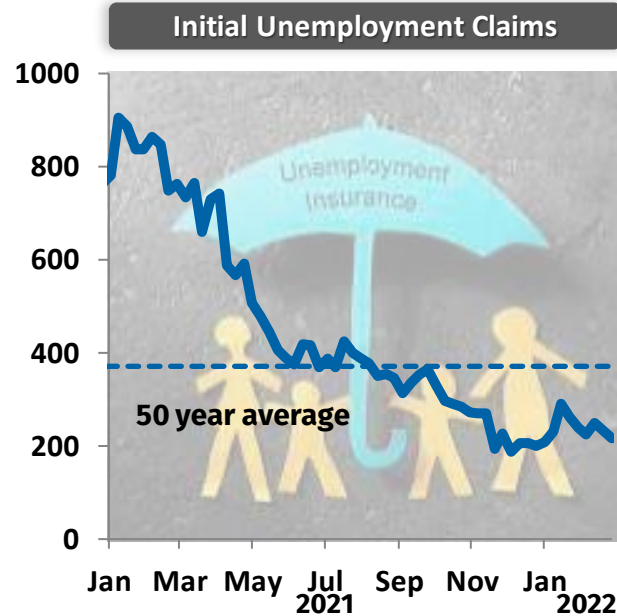
# First the Good News!



# Low U.S. Unemployment and Claims



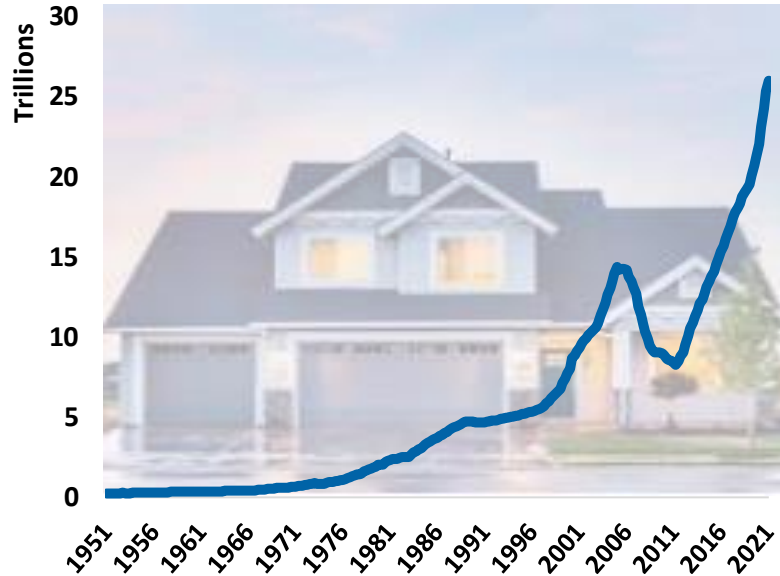
Source: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of February 28, 2022.



Source: U.S. Employment and Training Administration, Initial Claims, retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of February 26, 2022.

# Household Wealth Strong

## Owner's Equity in Real Estate

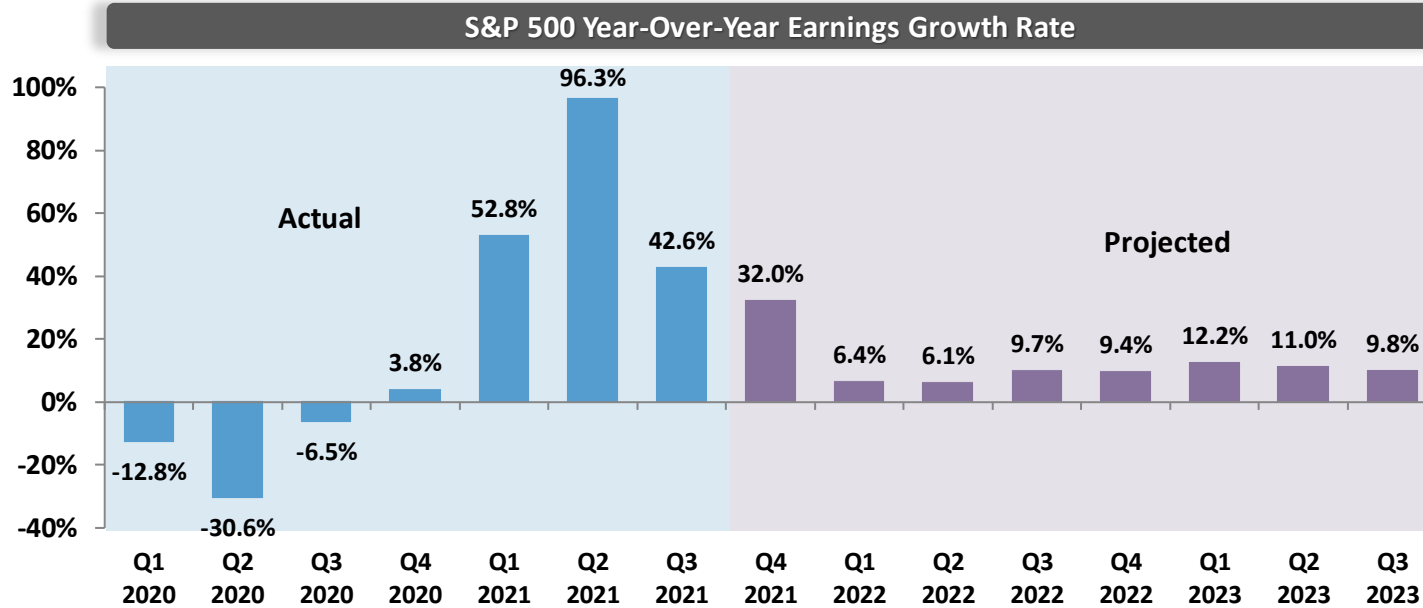


## Household Net Worth



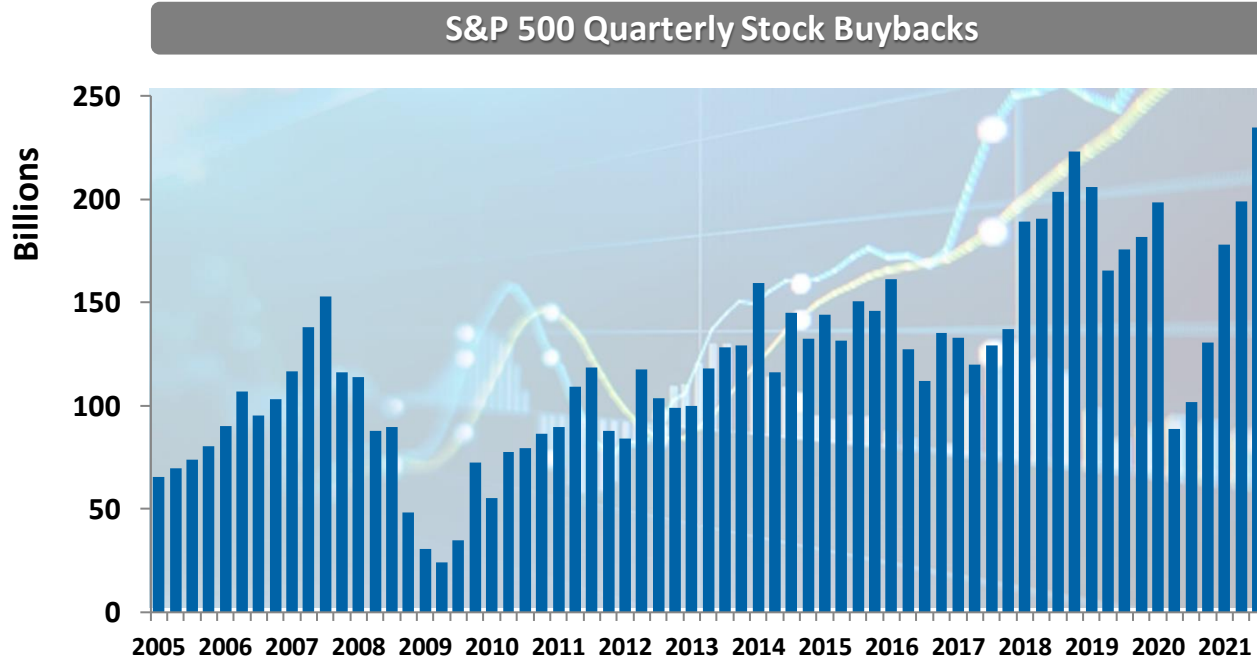
Source: Board of Governors of the Federal Reserve System (US), Households; Owners' Equity in Real Estate and Net Worth, retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of December 9, 2021.

# Corporate Profit Growth Solid



Source: S&P 500 Earnings Scorecard, Refinitiv. Data as of March 11, 2022.

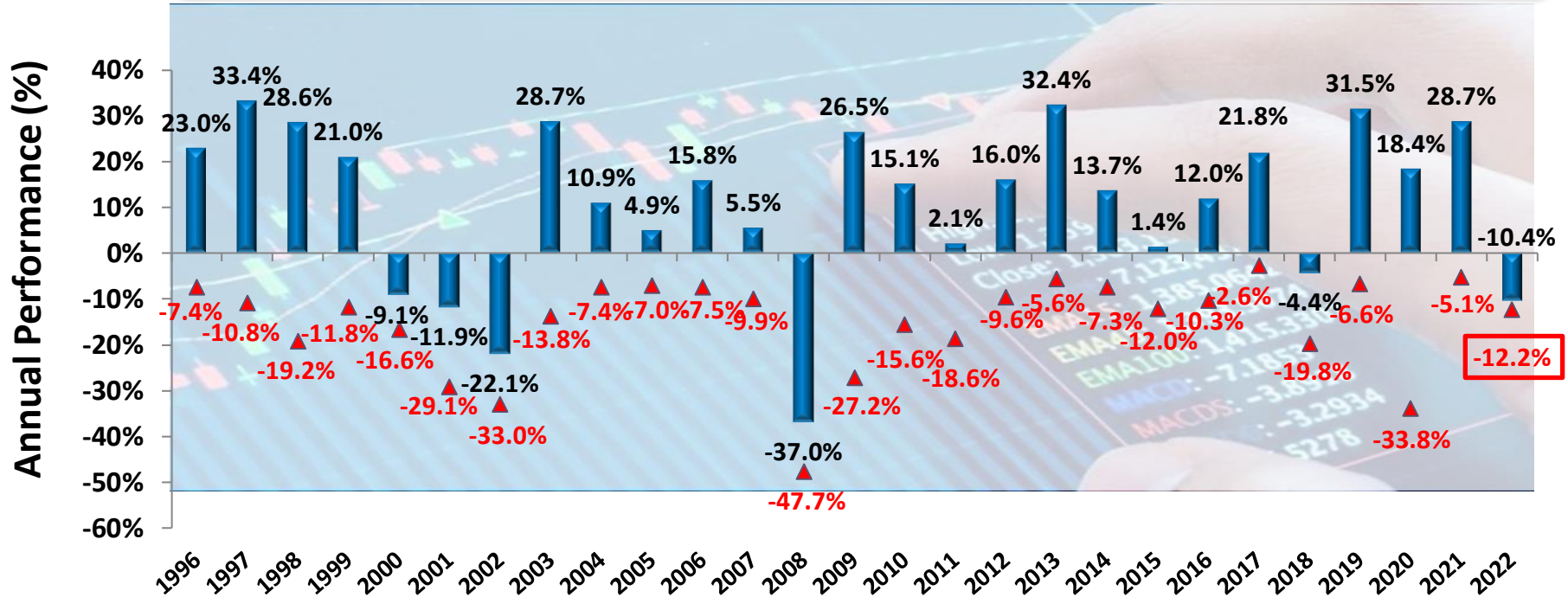
# Stock Buybacks at Record Levels



Source: S&P Global. Data as of September 30, 2021.

# Stock Market Off to Volatile Start in 2022

## Annual Return and Drawdown of S&P 500



Source: Morningstar, Nanette Abuhoff Jacobson, Hartford Funds and Yahoo Finance Data as of March 10, 2022.

# Five Near-Term Risks



**Inflation**



**The Great  
Transformation**



**Geopolitics**



**Midterm  
Elections**



**China**

**1**

**2**

**3**

**4**

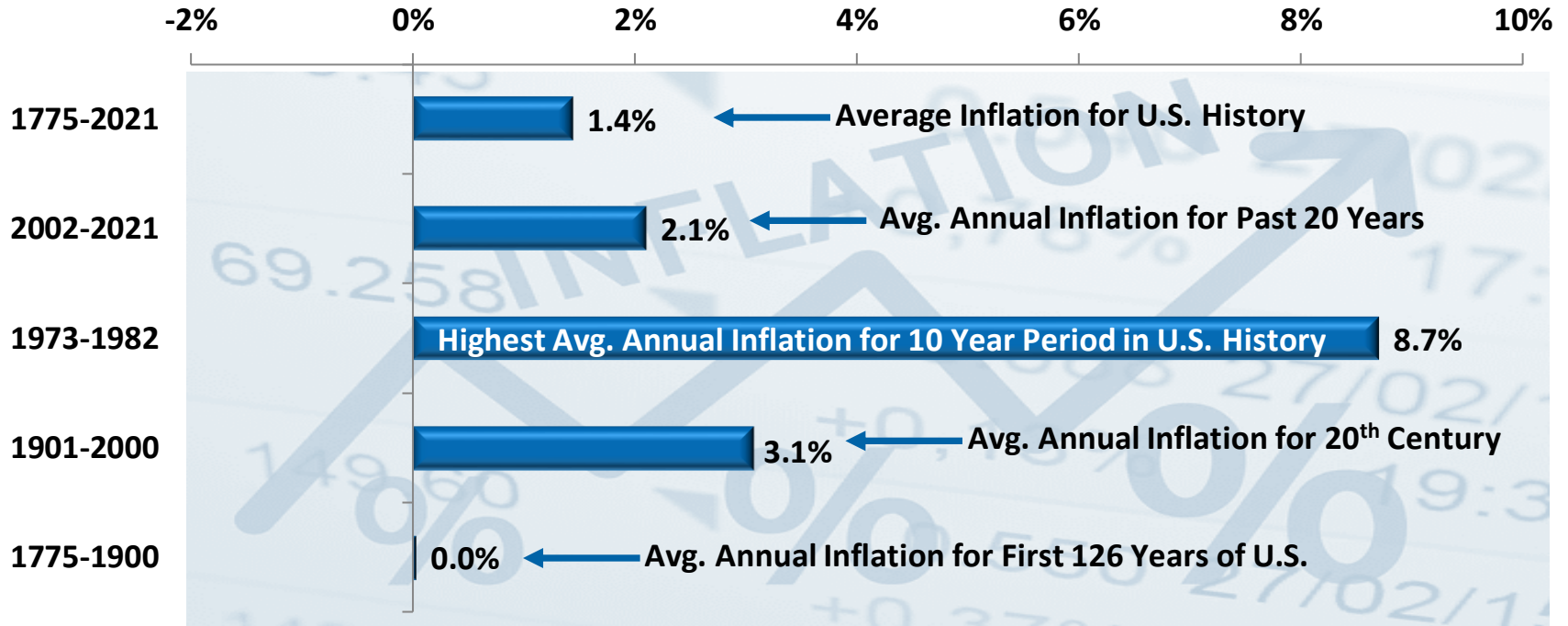
**5**



# Inflation

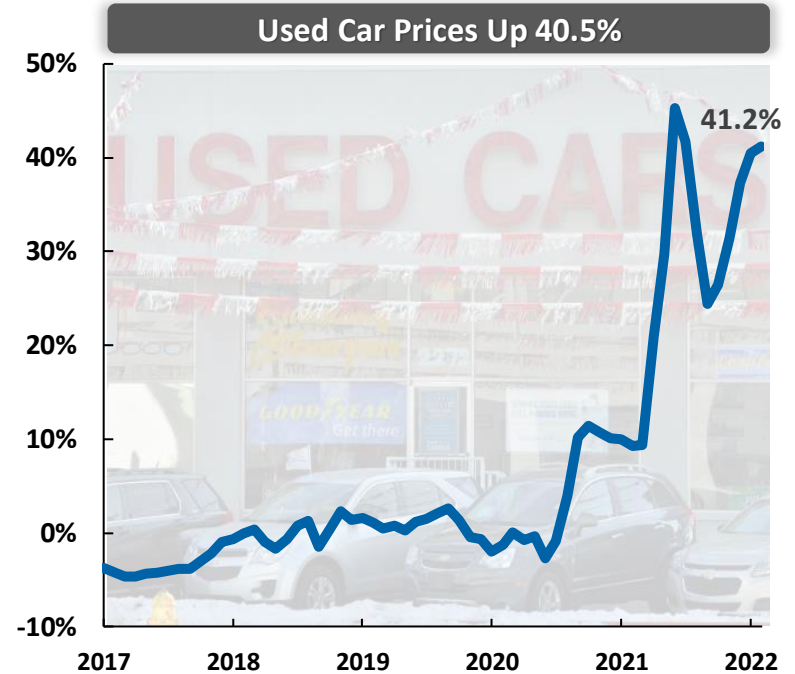
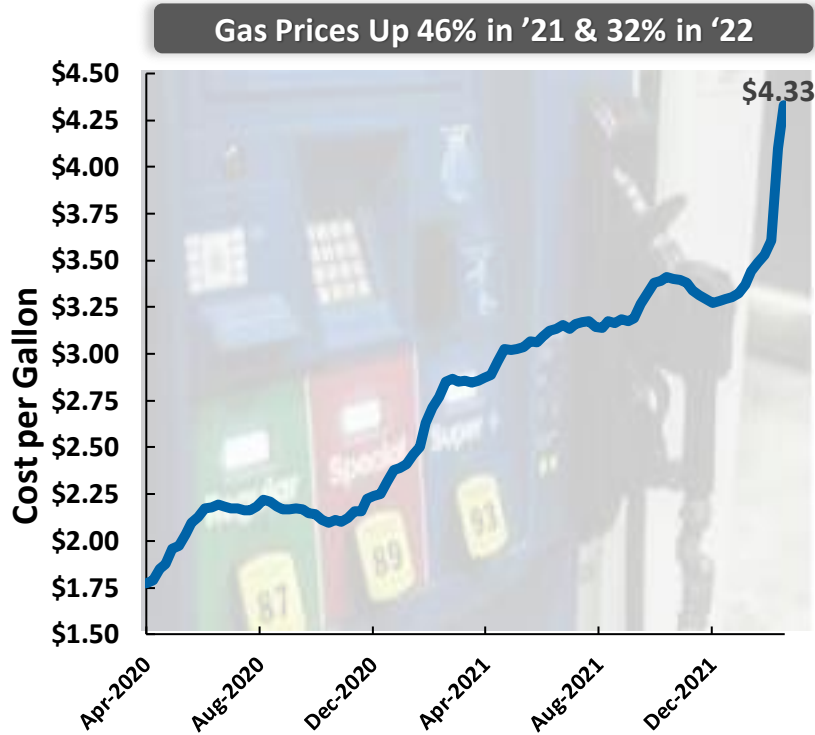


# Average Historical U.S. Inflation is Low











Source: Robert C. Sahr, Political Science, Oregon State University, Bureau of Labor Statistics. Data as of December 31, 2021.

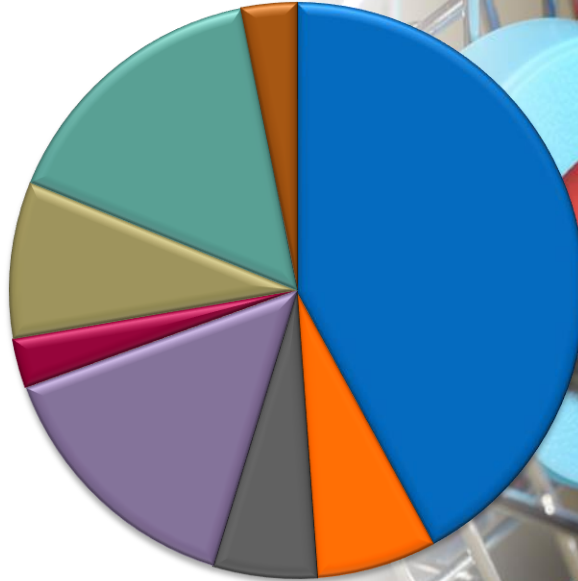
# Gas and Used Car Prices Led Inflation in 2021



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Used Cars and Trucks in U.S. City Average, and U.S. Energy Information Administration retrieved from FRED, Federal Reserve Bank of St. Louis and American Automobile Association. Data as of 03/11/2022 (Gas Prices) and 02/28/2022 (Used Car Prices).

# Components of CPI

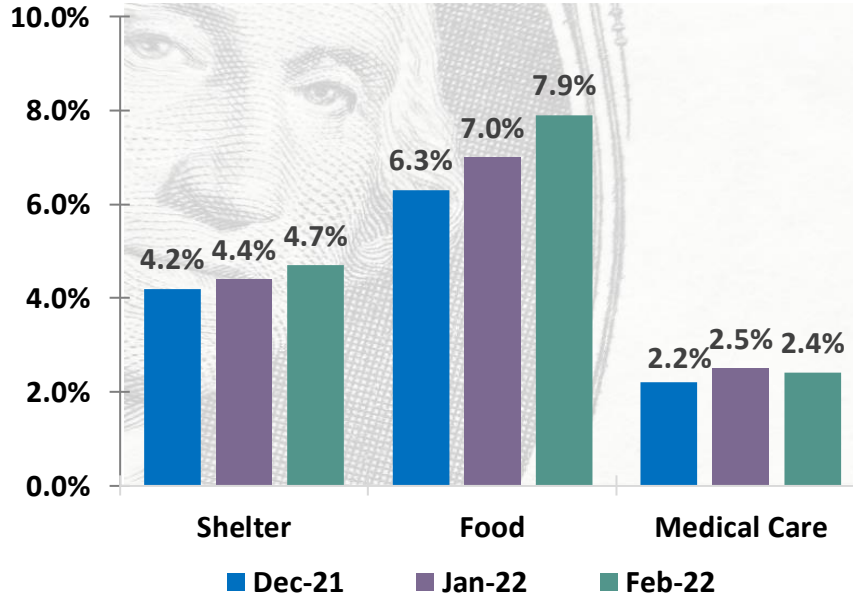
 Housing	42.3%
 Food and Beverage	14.3%
 Transportation	18.2%
 Medical Care	8.5%
 Education and Communication	6.4%
 Recreation	5.1%
 Apparel	2.5%
 Other	2.7%



Source: U.S. Department of Labor Bureau of Labor Statistics, <https://www.bls.gov/cpi/tables/relative-importance/2020.htm>, Wespath. Data as of: December 31, 2021

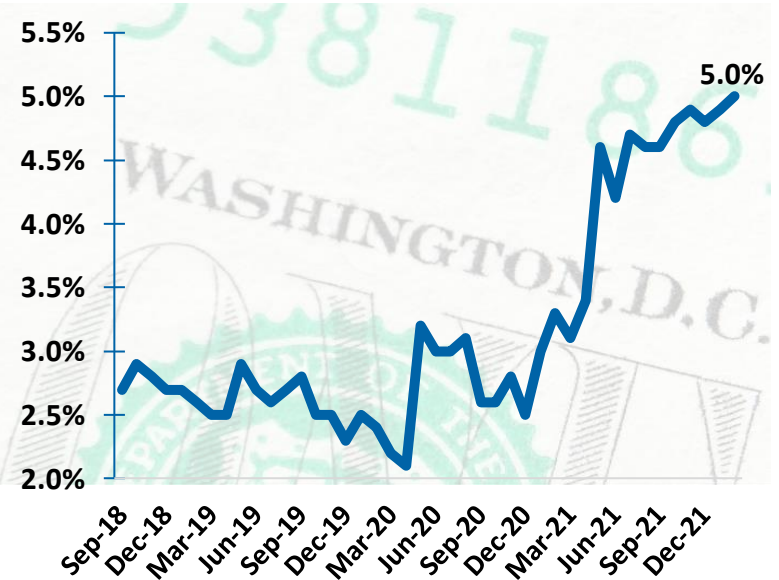
# Food and Shelter Costs Rising

### Monthly Price Increases for Three Largest Categories



Sources: U.S. Department of Labor Bureau of Labor Statistics retrieved from FRED, Federal Reserve Bank of St. Louis, Wespath. Data as of February 28, 2022.

### Survey of Consumer Inflation Expectations



Source: University of Michigan, University of Michigan: Inflation Expectation [MICH], retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of February 28, 2022.

# Home Prices Up and Inventory Down

S&P Case-Shiller U.S. National Home Price Index



Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [retrieved from FRED, Federal Reserve Bank of St. Louis; Data as of December 31, 2021.]

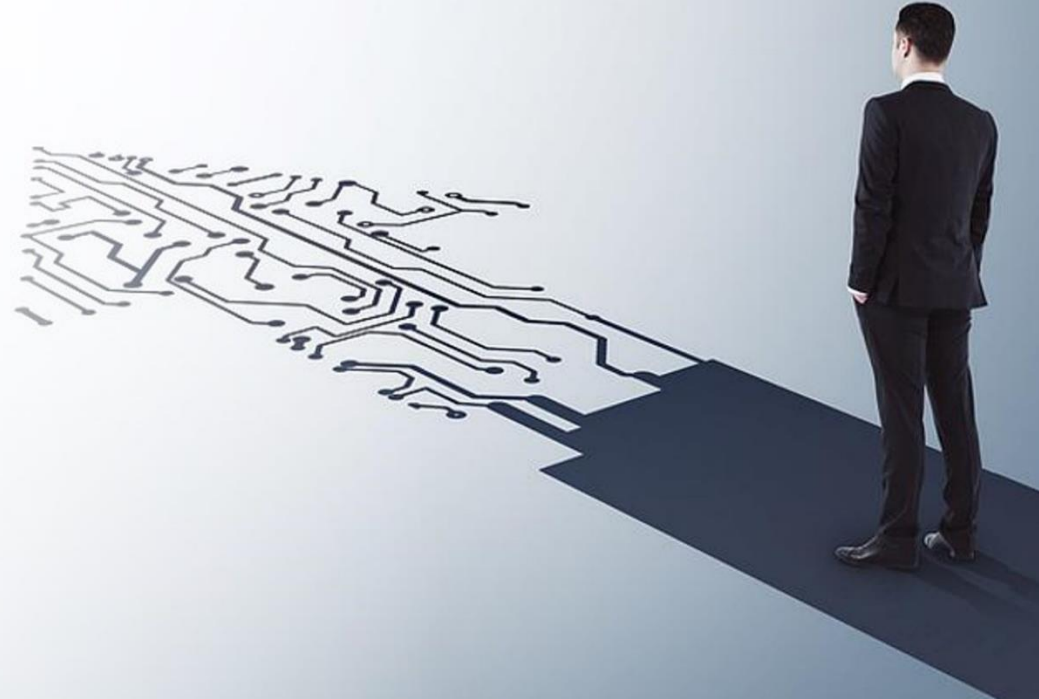
Active U.S. Housing Listings



Source: Realtor.com, Monthly Inventory, Active U.S. Housing Listings. Data as of February 28, 2022

# The Great Transformation

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# Workers Emboldened to Leave Jobs Employers Desperate for Workers

## Total Nonfarm Quits



Source: U.S. Bureau of Labor Statistics, Quits: Total Nonfarm [JTSQUL], retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of January 31, 2022 (Quits).

## Nonfarm Job Openings

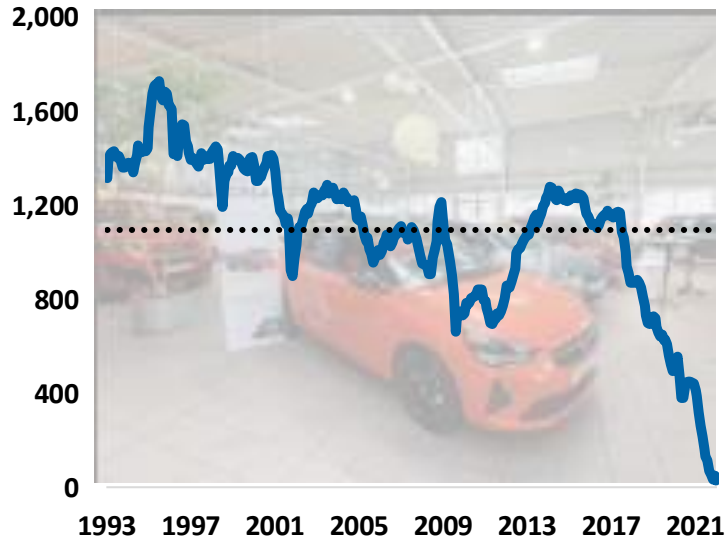


Source: U.S. Bureau of Labor Statistics, Job Openings: Total Nonfarm [JTSJOL], retrieved from FRED, Federal Reserve Bank of St. Louis. Data as of January 31, 2022



# Supply Shortages Abound

Inventory of Automobiles Available for Sale  
Relative to Actual Sales



Source: U.S. Bureau of Economic Analysis, retrieved from FRED (AUINSA), Federal Reserve Bank of St. Louis. Data as of January 31, 2022.

The New York Times

## Commerce Dept. Survey UnCOVERS 'Alarming' Chip Shortages

Increased demand for the semiconductors that power cars, electronics and electrical grids have stoked inflation and could cause more factory shutdowns in the United States.



By Ana Swanson and Catie Edmondson

Jan. 25, 2022



## Global chip shortage: US says firms' stocks have plunged

January 26, 2022

# Work From Home Changes Where People Live

THE WALL STREET JOURNAL.

U.S.

## Americans Up and Moved During the Pandemic. Here's Where They Went.

Big cities lost residents and the suburbs gained after 2020 lockdowns and low mortgage rates supercharged shifts in where people want to live

By [Yan Wu](#) [Follow](#) and [Luis Melgar](#) [Follow](#)

Updated May 11, 2021 9:16 am ET

THE WALL STREET JOURNAL.



By [Libertina Brandt](#) [Follow](#)

Updated Feb. 3, 2022 11:13 am ET



Pew Research Center

JULY 6, 2020



About a fifth of U.S. adults moved due to COVID-19 or know someone who did

BY D'VERA COHN

# Geopolitics

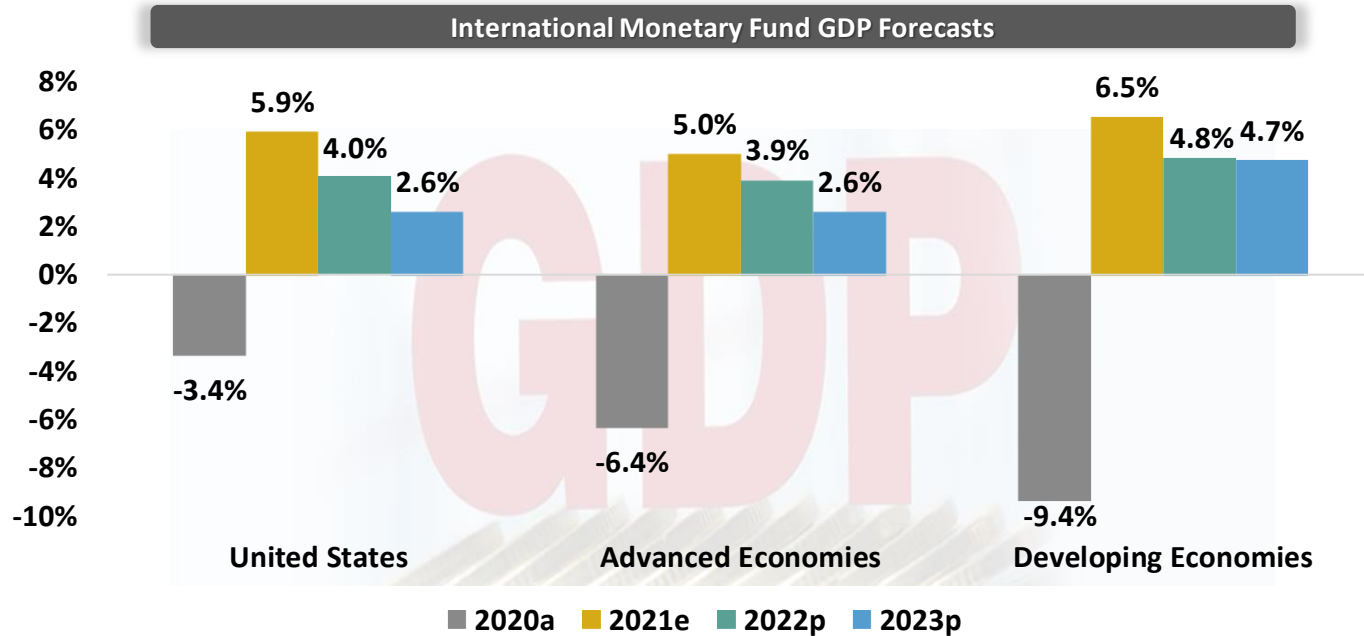
3



# World Events that Could Adversely Affect Markets



# Initial Expected GDP Growth for 2022 & 2023



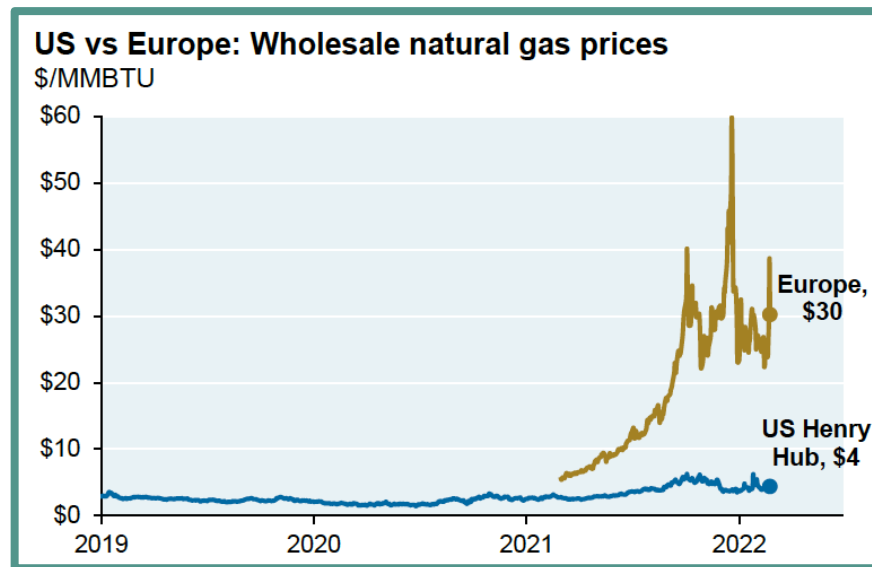
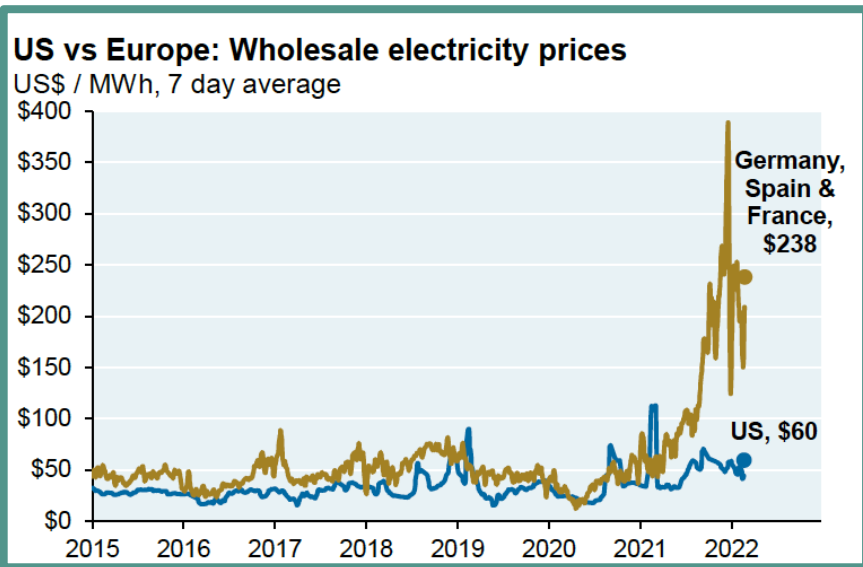
Source: International Monetary Fund, World Economic Outlook, January 25, 2022; a = actual, e = estimate, p = projected

# Potential GDP Shock from Russian Invasion



Source: Oxford Economic Global Economic Model and The Conference Board estimates

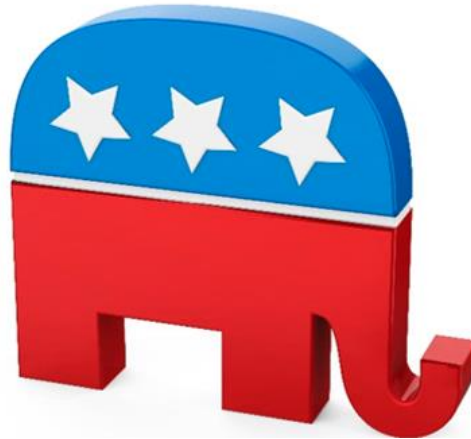
# Dramatic Increase in Energy Costs – Europe



Source: Bloomberg, J.P. Morgan Asset Management. Data as of February 26, 2022.

# Mid-Term Elections

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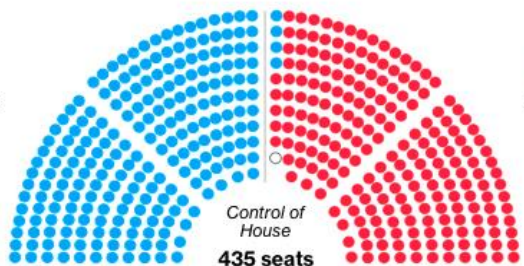




# Democrats Protecting Narrow Majority

## House membership

**222**  
Democrats

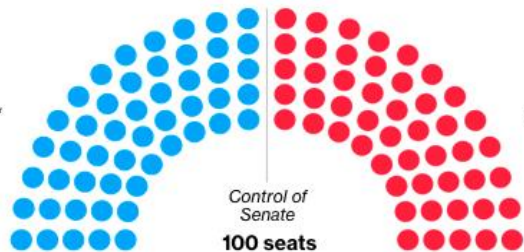


**212**  
Republicans

○ One vacancy

## Senate membership

**50**  
Democrats\*



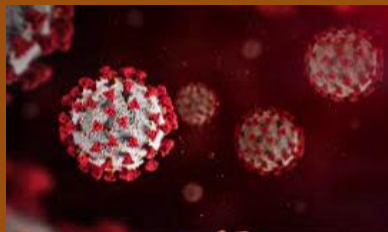
**50**  
Republicans

# Major Issues for Voters



# China

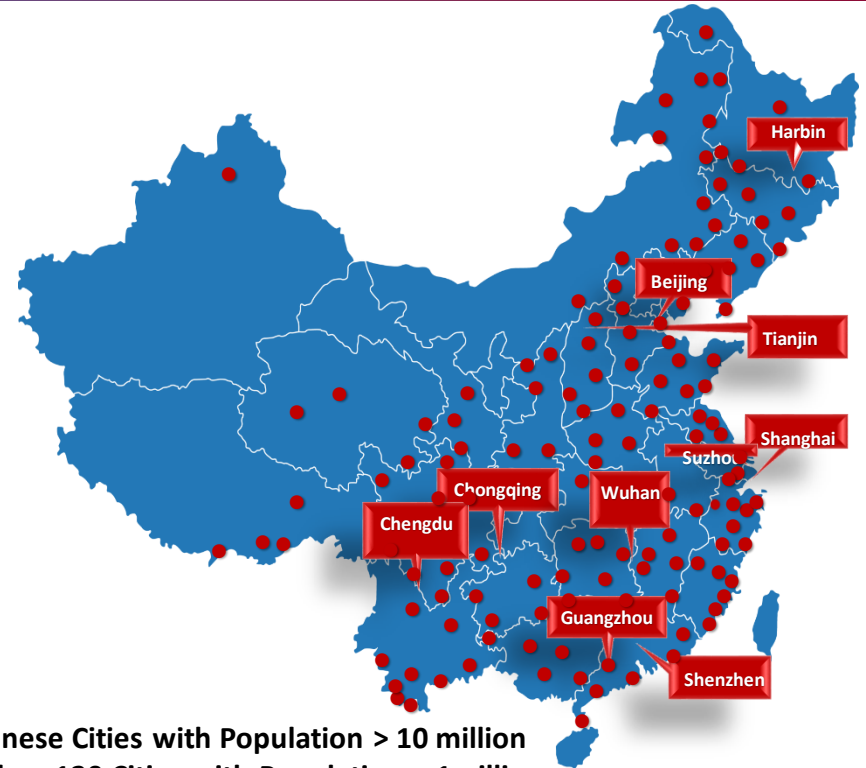
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# China to Big to Ignore



Ten U.S. Cities with Population > 1 million



Ten Chinese Cities with Population > 10 million  
More than 120 Cities with Population > 1million

# Major Initiative: One Belt One Road



# Myriad Issues Confronting China

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