

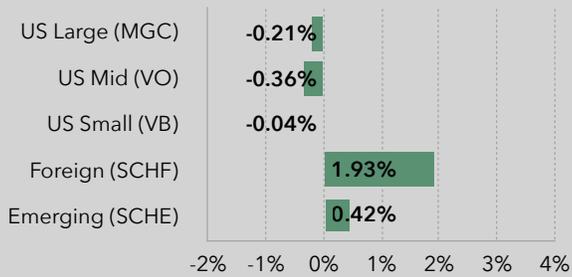
May 2022

Economic Data

- 390,000 jobs were added in May; the unemployment rate was yet again flat at 3.6%
- Retail sales were up 0.9% for the month of April despite a 2.7% decrease in sales from gas stations
- Y/y inflation (CPI) declined two-tenths from its March peak to 8.3% in April—the twelfth month in a row at or above 5%
- Existing home sales fell for the third straight month in April, down 2.4%; supply is only at 2.2 months and median prices were up to \$391,200
- Real GDP decreased at an annual rate of 1.5% in Q1

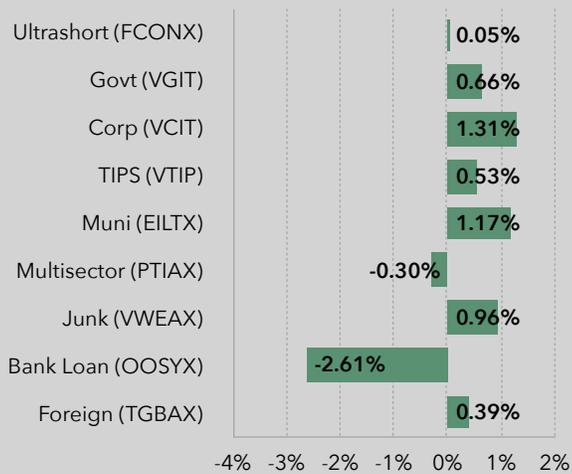
Stocks

May Returns



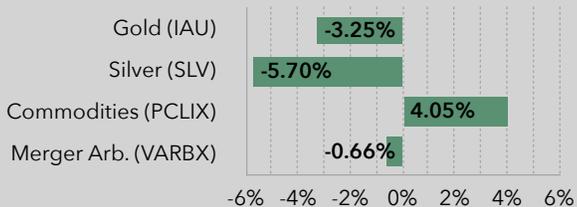
Bonds

May Returns



Alternatives

May Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

Americans Buying Less Crap

Someone forgot to tell the inventory managers at major retailers that Americans have emerged from their basements and are out and about again. They are now spending their money on vacations and eating out at restaurants, and buying luxury items like groceries and gasoline. They are also spooked by inflation that is at a 40-year high and the looming threat of a recession that is supported by weak freight data. They don't want sweatpants and bread makers and air fryers and big screen TVs and patio furniture anymore.

This has left Target and other retailers with an inventory bloat problem. They desperately tried to stock up on this crap when it was in demand and hard to get, and now they finally have it and nobody wants it. Target's inventory, for example, increased by 43% in the first quarter from the previous year. They are not alone—Amazon's inventory was up 47% and Wal-Mart's was up 32%.

Retailers are now cancelling orders and slashing prices to right-size their inventories. So if you are somehow in the market for stuff nobody needs or wants, I guess now is the time to get it.

Luxury Items

I sort of jokingly just called food and gasoline luxury items, but it's not too far off at this point. I was passing through Chicago a couple weeks ago and stopped by Au Cheval for my favorite—a single cheeseburger with bacon and egg. No fries. No beer or cocktail. Just the burger. It was \$32.29 after tax and tip. And according to GasBuddy, the national average gas price topped \$5 for the first time in history yesterday, June 9. Gas prices still need to go higher still before we start to see any real demand destruction, but this is really hurting a lot of Americans.

Unfortunately, I don't think we'll see much relief at the pump any time soon. Without any investment in new refining capacity, supply is struggling to meet demand. "You're looking at committing capital 10 years out, that will need decades to offer a return for shareholders, in a policy environment where

US Regular Gas Prices



Source: U.S. Energy Information Agency

governments around the world are saying: we don't want these products," said Chevron CEO Mike Wirth in an interview with Bloomberg TV. He also pointed out that we haven't had a new refinery built in the US since the 70's, and in his opinion probably never will again. It doesn't matter how much oil you have if you can't refine it.

A lot of Americans may now be feeling buyer's remorse for those used trucks and SUVs they have been spending top dollar on over the past year or so.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration	●				
Inflation				●	
Credit	●				
Foreign				●	
Equities					
Large Cap	●				
Mid Cap		●			
Small Cap	●				
Developed Intl.		●			
Emerging			●		
Alternatives					
Commodities					●
Hedging					●

Binge Box

Shoresy (Hulu)

A couple years ago I recommended a little show called *Letterkenny*, a comedy that chronicles the problems of different groups of people in that fictional Canadian town. If you've binged all ten seasons of that, you may still find yourself wanting more. *Shoresy* is a spinoff, which follows the foul-mouthed, dirty hockey player with the same nickname. It is mostly a series of one-liners and Shoresy insinuating he has done unsavory things to other hockey players' mothers. But there is actually a decent plot and a classic underdog sports story in there, too. Somehow it all kind of stands on its own and works. You can stream all six episodes on Hulu. Pitter patter.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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