

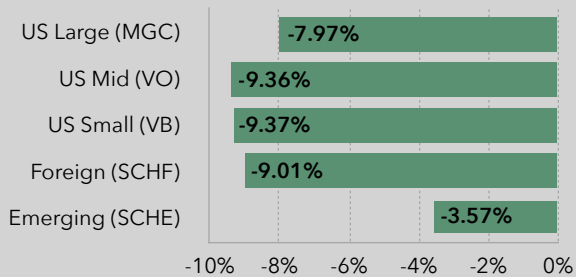
June 2022

Economic Data

- 390,000 jobs were added in June; the unemployment rate was yet again flat at 3.6%
- Retail sales were down 0.3% for the month of May with motor vehicle sales falling 4.0%
- Y/y inflation (CPI) reached a new 40-year peak of 8.6% in May—the 13th month in a row at or above 5%—thanks in part to higher gas prices
- Existing home sales fell for the fourth straight month in May, down 3.4%; supply increased to 2.6 months and median prices blew past the \$400k mark for the first time

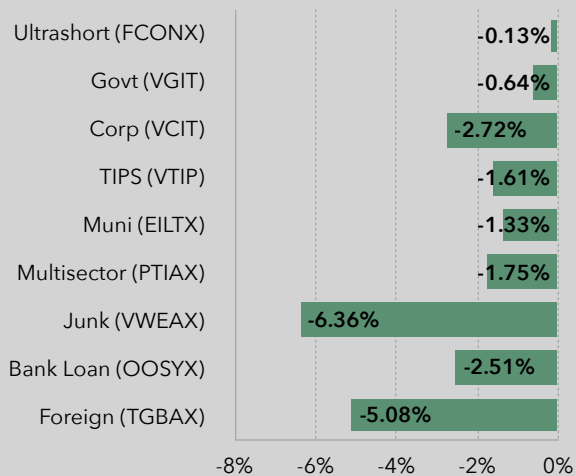
Stocks

June Returns



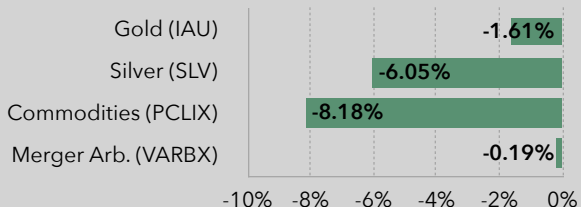
Bonds

June Returns



Alternatives

June Returns



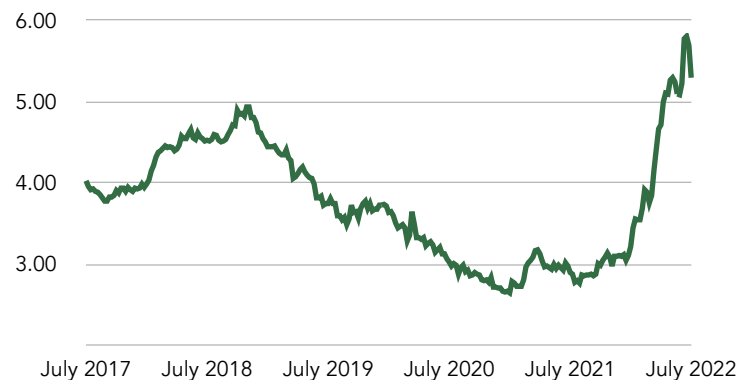
Performance data provided by Morningstar

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.

The Real Estate Market Freeze

The Fed hiked rates by a massive, albeit expected, 75bps, which was the biggest hike since 1994. Mortgage rates have cooled off a bit as of late, but they have risen so quickly that the mortgage market has been put on ice. The lack of affordability is evident in the collapse of the mortgage applications, which had an index reading that was its lowest since 2000.

30-Year Fixed Rate Mortgage Average in the US



Source: Freddie Mac

Major mortgage lenders, along with real-estate tech companies like Redfin have begun to slash their workforces amid the affordability crisis. Redfin CEO Glenn Kelman explained in a blog post that the mass layoff decision directly responded to slumping housing demand. "To all the departing people who put your faith in Redfin, I'm sorry we can't keep our commitment to you. With May demand 17% below expectations, we don't have enough work for our agents and support staff, and fewer sales leaves us with less money for headquarters projects," Kelman wrote.

If you are sitting on a house with a 3% mortgage, it would be very hard to give that up for a 6% mortgage. What I think will most likely happen in this environment is that a lot of people that might need to move for their jobs or who want to upgrade to a larger house will simply not sell their old house, and they won't buy a new one, either. Instead, they will become a landlord with their old house, and a renter with their new one, and the real estate market will freeze.

June Was a Rough Month

If you look to the left you'll notice that everything was down last month. The best performing asset in June was probably the car in your driveway, which gained 1.6% in value amid a monster CPI print that was released this morning. Even commodities, which have been a bright spot this year, fell 8.18%. I still think there is upside there, though. The reason is that commodities are not equities. Usually they do not sell off before the recession begins and bottom out during the recession like equities do. Instead, commodities tend to rally into the recession, like they did back in 2008 when oil hit \$147 per barrel.

We Are Moving to a New Custodian

I wrote about the Goldman Sachs acquisition of Folio, the custodian/broker we use for most accounts, back in my November newsletter. I was hopeful at the time that the acquisition might lead to an enhancement in client experience and potentially a decrease in fees for clients. That hasn't been the case. In fact, Goldman Sachs has decided to no longer service the market for state-registered investment advisors like EmeraldSpark.

In anticipation that something like this might happen, I have been testing out an alternative custodian/broker called Altruist with newer clients. Altruist offers similar access to institutional level share classes of mutual funds that Folio does, as well as providing features like investment performance reporting. They are constantly working to add additional features to their platform, as well, and the customer service experience has been exemplary so far. Best of all, Altruist does not charge account level fees to clients like Folio does. This is going to save current Folio clients between 0.18% and 0.20% per year in fees, so I'm very excited about that.

I will be migrating all client Folio accounts over to Altruist over the next couple of months, so keep an eye out for an email from me and Altruist asking you to approve an account opening online. Please let me know if you have any questions.

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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

Star Trek: Strange New Worlds (Paramount+)

There is a new Star Trek out on Paramount+, so of course I'm going to watch it. I'm a big fan of the franchise, but if I'm honest I gave up on *Star Trek: Discovery* after the first couple of seasons. It just wasn't working for me. *Strange New Worlds*, however, goes back to the old Gene Roddenberry playbook and may be the best Star Trek since *The Next Generation*. The series follows Christopher Pike (Anson Mount), James Kirk's predecessor, on an episodic series of adventures, science fiction, social commentary, and hijinks. The series also includes two other characters from the original series in Spock (Ethan Peck) and Uhura (Celia Rose Gooding). Stream the full first season on Paramount+.

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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