

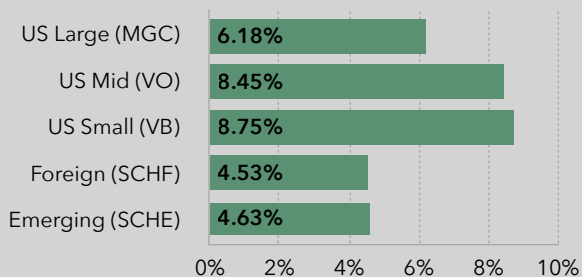
June 2023

Economic Data

- 209,000 jobs were added in June, and the unemployment rate edged down to 3.6%
- Retail sales were up 0.3% in May with building material & garden suppliers leading up 2.2%
- Y/y inflation (CPI) fell again to 4.0% in May, while the core rate (less food and energy) remained elevated at 5.3%
- Existing home sales rose 0.2% in May and are now down 20.4% y/y; median home price rose to \$396,100

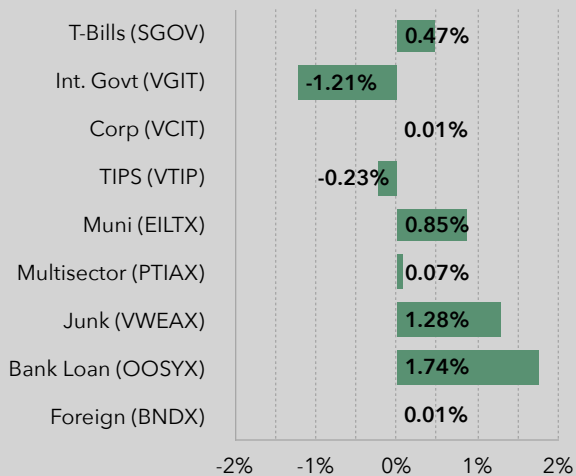
Stocks

June Returns



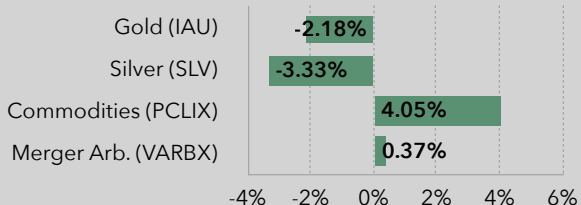
Bonds

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.

Has the Inflation Dragon Finally Been Slayed?

I just completed a breathtaking road trip with four friends along the NC500 route in Scotland. It's a thrilling route that takes you along mostly windy single track roads with 60 mph speed limits that are difficult to hit with the constant threat of a head-on collision over every blind summit and around every blind corner. It is some of the most beautiful driving you will find, with puffin-perched seaside cliffs, stunning castles, cascading waterfalls, rolling hills of heather, and some of the most idyllic beaches in the world (no, seriously). Anyway, inflation is still a really big threat in the UK and is running at an 8.7% year-over-year rate through May. I was just reviewing the costs of the trip in our Splitwise, which is a great app to use when you need to split expenses between friends for things like this. Gasoline...err, petrol, was about (calculates)... \$7.19 per gallon. Yikes, really? It seems so much cheaper when it's priced in pounds and sold by the liter.

Because of my vacation this newsletter is coming out a little later in the month than usual, so US CPI for June has already been released. Unlike the UK, inflation in the US came in at only 3.0%. Hooray, it looks like the Fed has finally got inflation under control and they can stop raising rates and start cutting, right? No, bond market, I'm afraid we're not quite there yet.

The first thing you should keep in mind is this number is being compared to June of last year, when the rate of inflation peaked at a red-hot 9.1%, which was a four-decade high. There is a bit of a base effect to consider there.

Secondly, despite what I paid at the pump, energy prices are actually down quite dramatically over the past year, with gasoline 26.5% cheaper and overall energy down 16.7%. Most of that price crash came at the end of June and through July. I expect headline inflation to heat back up over the next couple of months because we will be comparing energy prices against much lower numbers; again, base effect.

Lastly, services inflation, which includes shelter and transportation services, is still running high at 6.7% and needs to get reined in before we can really get



Source: U.S. Bureau of Labor Statistics; Federal Reserve Bank of Atlanta

things under control and move closer to the Fed's 2% inflation target. Sir Powell and his governors of the round table have not yet slayed the inflation dragon. They still has some work to do, and I anticipate at least one and more likely two additional rate hikes this year.

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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

The Night Agent (Netflix)

Thrillers aren't my preferred genre, but when I saw Steven King recommend *The Night Agent*, I threw it in the queue. "Farfetched, but ridiculously entertaining. There's good chemistry between Peter and Rose, attention to the little things, and enjoyable paranoia," was his take, and who am I to argue with that? This political/spy thriller keeps good pace throughout, never losing your attention with lulls in the plot nor exhausting you with drawn out action sequences. It shouldn't take too long getting through the ten episodes.

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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