Portfolio Manager Commentary

July 15, 2022

Trustmark Investment Advisors, Inc.

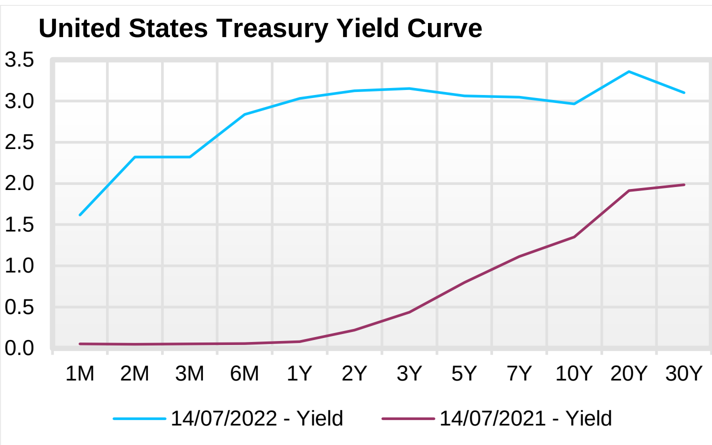
Economic Outlook

U.S. Factory Orders were up 1.6% in May, versus +0.7% in April. S&P Global U.S. Services PMI was 52.7 in June versus 51.6 for May, both still mildly expansionary. The ISM Services Index was even higher, at 55.3 for June. The Unemployment Rate in the United States remained a strong 3.6% in June, flat with May. Average Hourly Earnings were up at a 3.6% annualized rate for June versus 4.8% for May. The NFIB Small-Business Index came in at 89.5 for June. Consumer Prices increased a whopping 9.1% for the year ended in June 2022, the highest annual print in over 40 years. Retail Sales were up 1.0% in June versus -0.1% in May. The U.S. Industrial Production Index was down 0.2% in June, with Capacity Utilization remaining high at 80.0%. Finally, Business Inventories were up 1.4% for May after having been up a similar amount for April.

Fixed Income

Interest rates continued the march higher at the short end of the maturity range. While a week ago the three-month T-Bill was only pricing in an approximate 25-30% probability of a 75-basis point move higher by the Federal Reserve at the July meeting, it is now pricing in close to a 100% probability of such a move. The longer end of the U.S. Treasury curve as of July 15, 2022 has stabilized somewhat in the 2.92% to 3.12% range. However, the U.S. Treasury 10-year yield is now properly inverted relative to the 2-year yield by 0.20%. The longer this inversion remains, the higher the probability the U.S. enters a recession of unknown magnitude. The next meeting for the Federal Reserve Open Market Committee is in late July.

Yield Curve



Current Generic Bond Yields

	Treasuries	Agencies	Corporates	Municipals
3 Mo.	2.48%	3.02%	2.62%	1.00%
6 Mo	2.99%	3.07%	2.77%	1.12%
1 Yr	3.15%	3.15%	3.05%	1.60%
2 Yr	3.20%	3.22%	3.33%	1.86%
5 Yr	3.13%	3.28%	3.58%	2.17%
10 Yr	3.00%	3.73%	3.93%	2.69%
30 Yr	3.16%		4.40%	3.48%

Equity

Though the path of least resistance remains downwards, the S&P 500 has booked a positive 0.87% month-to-date. All eyes remain on inflation, earnings, and Fedspeak. Near the beginning of the week, the Market slid with the probability of a 100bps rate increase rising to ~80% (Factset Research Systems) and a downbeat Q2 earnings report from JPM. Since then the Market has shaken off this risk-off stance. As of recent, Fedspeak seems to suggest a 75bps is more likely in the books, and though JPM's Q2 earnings report was weak, there were some positive takeaways, including solid commentary on the consumer and business credit. On the bearish narrative, there are still persistent concerns about downward estimate revisions as Q2 earnings season unravels and worries about recession signals from an inverting yield-curve.

Value continues to vastly outperform growth with a respective -10.92% to -25.13% year-to-date return. As such, Energy (+26.04%) continues to be the only positive sector as Consumer Discretionary (-28.69%), Communication Services (-28.40%), and Technology (-23.77%) performed the worst.

Index Returns	YTD
Dow Jones Industrials	-13.19%
S&P 500 (LCap)	-18.42%
S&P 400 (MCap)	-19.09%
Russell 2000 (SCap)	-22.49%
NASDAQ Composite	-26.91%
MSCI EAFE (Intl)	-20.17%
Real Estate	-19.78%