WEEKLY MARKET INSIGHTS

May 16, 2022

INVESTMENT MANAGEMENT GROUP | ARVEST

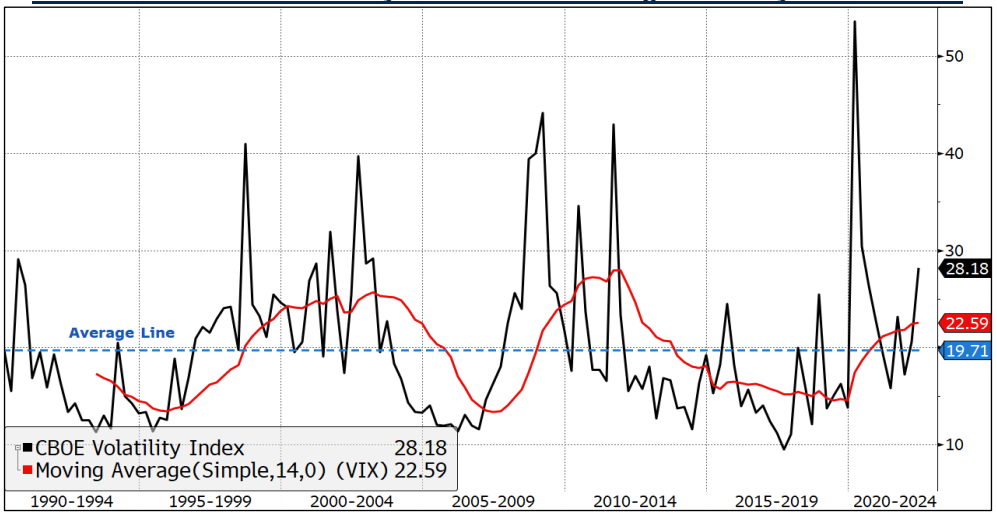
"The public is only with you when you're winning. When you start losing, they don't walk away and lose interest. They stick around and throw tomatoes. Adoration turns to hate, not apathy, on the way down." – Josh Brown, Ritholtz Wealth Management

Growing up, I probably gave my mom more than a few bouts of anxiety with some of my antics. There was plenty of, "well, if your friends told you to jump off a bridge, would you do that too?" and other clichés. The point was never to belittle me, but to make me keenly aware that there are real risks to blindly following a group of adolescent troublemakers. Ignore them at your own risk, she would say. These risks don't always materialize though. In fact, most of the time they don't. That fact (combined with inexperience in life) is largely why most kids don't heed these types of warnings well. They don't understand (at least, not yet) the long-term damage that can be caused by a negative outcome, however rare, to a careless action. The short-term gain, be it an increase in popularity amongst peers or something more tangible, is too hard to resist.

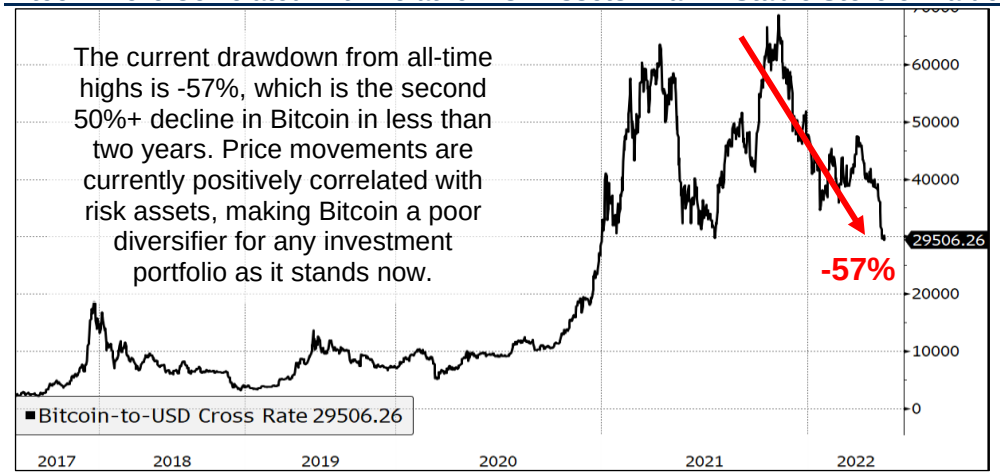
As a financial advisory firm, we spend a lot of time warning investors about the potential risks to their investments. Increasing the amount of risk investors take is the only way to increase the ***potential*** return investors receive. So accepting risks isn't inherently bad in every aspect, just as it isn't in life either. Prudent risks are needed for kids to grow to their full potential. It's the unnecessary risks that our mothers and financial advisors are most concerned about. And the most unnecessary risk any investor can take is to chase higher returns by investing in things that have achieved the highest returns most recently. It is a trend mired in recency bias and fear of missing out ("FOMO"), and it is exacerbated by the fact that the financial media rewards the current best performing investments with near constant coverage. In times of market tranquility, where excessive risk taking is rewarded, this seems fine. But when prolonged market volatility takes hold (see chart, top right), those investments are often the first to see massive investor outflows.

AMC and GameStop, the "meme-stocks", are both down around -80% from all-time highs after soaring ~2,000% or more in 2021. Most cryptocurrencies are in a deep bear market, with Bitcoin down nearly -60% from all-time highs (see chart, bottom right). TerraUSD, a popular cryptocurrency that pegs its value to the dollar for price stability (i.e. a stablecoin), recently became destabilized from the $1 peg and is now currently trading at $0.09, causing instability within other stablecoin platforms too. Financial media's darling growth stocks, such as Palantir (-80%), Teledoc (-88%), and Zoom (-83%), are getting crushed. ***(cont.)***

The US Market Is Now Firmly in An Above Average Volatility Environment



Bitcoin More Correlated with Volatile Risk Assets Than A Stable Store of Value



Sources: Top – Bloomberg LP; Bottom – Bloomberg LP

ABOUT INVESTMENT MANAGEMENT GROUP

Arvest Wealth Management currently manages over $14 billion in client assets by providing a diverse mix of services including brokerage, trust, investment management, retirement plans, IRAs, custodial accounts, estate settlement and insurance. We are people helping people find financial solutions for life. The Investment Management Group is a registered investment advisory within Arvest Wealth Management, founded in 2011, and responsible for managing approximately $750 million in assets.

For the latest market insights and analysis, visit share.arvest.com/wealth

WEEKLY MARKET INSIGHTS

May 16, 2022

INVESTMENT MANAGEMENT GROUP | ARVEST

The boom in Special Purpose Acquisition Vehicles (SPACs) has burst, with similarly dismal negative returns. In hindsight, maybe it's never a good idea to use an unnecessarily complicated investment vehicle to give money to a sponsor upfront with a promise that they will soon buy some unnamed, "amazing" business, which either isn't good enough or doesn't want to jump through the required regulatory hoops to become a publicly traded stock the traditional way (via Initial Public Offering). Everything about that seems like an unnecessary risk, but I digress.

Ultimately, this is Generation Z's first experience with real market turmoil in the working world, and it shows. The same Reddit threads once filled with relish and jubilation at eye popping returns on "meme-stocks", cryptocurrencies, SPACs, etc. are now predictably filled with anger and dismay. This mood shift isn't just reserved for introspection at personal investments. It affects investment managers too. Typically, it is the equity managers who receive most of the hate during market turmoil, but fixed income managers aren't going to be able to duck the tomatoes being thrown this time around. When investors are constantly told that fixed income investments are a ballast to preserving capital within an investment portfolio, it is hardly comforting to tell them, "hey, our fund is ***only*** down -10% this year, but at least we're not down -50% like your growth stock fund!" Regardless, investment markets like this often cause investors to make wholesale, reactionary changes to their portfolios. During market turmoil, fear drives investors to conservatively hold more of their portfolio in cash, whereas FOMO often drives performance chasing in strong bull markets. They are opposite sides of a similar coin, but both can create unnecessary risks that hinder an investor's portfolio from realizing full potential. This isn't to say no portfolio changes should ever be made in tumultuous markets, but if changes do need to be made investors would do well to look past recent investment performance as the main rationale for making the change.

JOIN OUR MONTHLY MARKET CALL

The Arvest Investment Management Group hosts a monthly Market Viewpoint webinar. To join us for our next meeting, please contact Charles Kurtz at ckurtz@arvest.com.

Alex Jantsch, CFA, CAIA®
Portfolio Analyst | ajantsch@arvest.com

Alex supports the portfolio management team through market research that aids asset allocation decisions and due diligence on third party investment managers. He has a BSBA in finance, as well as a certificate in integrated investment management, and holds the CFA designation as a member of the Chartered Financial Analyst Institute and the Kansas City Society of Chartered Financial Analysts.

CURRENT ASSET CLASS OUTLOOK

Equities	Current
U.S. Equity	Neutral
Int'l Equity	Slightly Favorable
Emer. Mkts	Slightly Favorable

Real Assets	Current
Real Estate	Slightly Unfavorable
Infrastructure	Neutral
Commodities	Neutral

Fixed Income	Current
Invest. Grade Credit	Neutral
Treasury/Agency	Neutral
Mortgage (MBS)	Slightly Unfavorable
Commercial MBS	Slightly Favorable
Asset Backed (ABS)	Favorable
High Yield	Neutral
Emer. Mkts Debt	Neutral
Taxable Muni	Slightly Favorable
Tax-Exempt	Slightly Favorable
Tips	Slightly Unfavorable

WEEKLY MARKET INSIGHTS

May 16, 2022

INVESTMENT MANAGEMENT GROUP | ARVEST

Market Returns & Rates (as of 5/13/2022)

Asset Class	Sub-Asset Class	Index	YTD	1-Year	3-Year	5-Year	10-Year	2021
Equity	U.S. Large Cap Equities	S&P 500	-15.13%	-0.78%	14.57%	12.87%	13.84%	28.68%
Equity	U.S. Mid Cap Equities	S&P 400	-14.04%	-7.97%	10.65%	8.68%	11.50%	24.73%
Equity	U.S. Small Cap Equities	Russell 2000	-19.83%	-16.54%	6.87%	6.49%	10.14%	14.78%
Equity	Developed ex. U.S. Equities	MSCI ACWI ex U.S.	-15.50%	-13.07%	4.52%	3.90%	5.77%	8.32%
Equity	Emerging Markets Equities	MSCI Emerging Mkts	-17.94%	-20.32%	2.25%	2.56%	3.30%	-2.32%
Fixed Income	Broad Aggregate	BB Aggregate	-9.71%	-8.45%	0.14%	1.16%	1.66%	-1.54%
Fixed Income	U.S. Treasury	BB U.S. Treasury	-8.76%	-7.33%	0.11%	0.96%	1.11%	-2.32%
Fixed Income	U.S. Treasury Inflation Prot.	BB U.S. Inflation Linked	-6.78%	-1.48%	4.88%	3.89%	2.12%	6.00%
Fixed Income	U.S. Investment Grade	BB U.S. Invest. Grade	-12.73%	-10.10%	0.88%	1.93%	2.86%	-1.04%
Fixed Income	U.S. High Yield	BB U.S. High Yield	-10.41%	-7.43%	2.30%	3.13%	4.97%	5.28%
Fixed Income	U.S. Leveraged Loans	CS Leveraged Loan	-2.13%	0.48%	2.92%	3.50%	4.12%	5.40%
Fixed Income	U.S. Municipals	BB Municipal Bond	-10.15%	-9.24%	-0.28%	1.42%	2.23%	1.52%
Fixed Income	Non-U.S. Gov't Bond	FTSE Non-U.S. WGBI	-15.40%	-19.15%	-4.31%	-1.30%	-1.35%	-9.68%
Fixed Income	Emerging Markets Debt	JPMorgan EMBI	-15.75%	-14.55%	-1.87%	-0.18%	2.55%	-1.51%
Real Assets	Real Estate	FTSE NAREIT	-14.95%	6.56%	6.60%	7.29%	8.29%	43.24%
Real Assets	Master Limited Partnerships	Alerian MLP	19.41%	20.27%	2.89%	0.38%	1.48%	39.85%
Real Assets	Broad Commodities	Bloomberg Commodity	29.39%	39.92%	17.86%	8.96%	-0.37%	27.05%
Real Assets	Oil	WTI Crude	46.91%	73.13%	21.87%	18.22%	1.40%	55.01%
Real Assets	Gold	Gold COMEX	-1.12%	-0.87%	11.58%	8.05%	1.33%	-3.51%

Key Market Interest Rates	Current Rate	1 Month Ago	2 Months Ago	3 Months Ago	4 Months Ago	6 Months Ago	1 Year Ago
Federal Funds Rate	0.83%	0.33%	0.08%	0.08%	0.08%	0.08%	0.06%
Secured Overnight Fin. Rate (SOFR)	0.79%	0.29%	0.05%	0.05%	0.05%	0.05%	0.01%
90-Day Treasury Rate	0.92%	0.67%	0.43%	0.32%	0.09%	0.03%	-0.03%
2-Year Treasury Rate	2.58%	2.35%	1.86%	1.50%	0.89%	0.51%	0.15%
5-Year Treasury Rate	2.87%	2.65%	2.09%	1.85%	1.47%	1.22%	0.83%
10-Year Treasury Rate	2.92%	2.70%	2.13%	1.94%	1.70%	1.55%	1.66%
30-Year Treasury Rate	3.08%	2.81%	2.47%	2.24%	2.04%	1.90%	2.40%
3-Mon/10-Yr Treasury Spread	2.00%	2.02%	1.71%	1.62%	1.61%	1.52%	1.68%
2-Yr /10-Yr Treasury Spread	0.34%	0.35%	0.27%	0.44%	0.81%	1.04%	1.50%
6-Month CD Rate	0.34%	0.16%	0.16%	0.14%	0.14%	0.15%	0.16%
1-Year CD Rate	0.70%	0.34%	0.32%	0.28%	0.28%	0.29%	0.30%
2-Year CD Rate	0.80%	0.41%	0.36%	0.32%	0.32%	0.32%	0.34%