MEKETA
INVESTMENT GROUP

GLOBAL MACROECONOMIC INVESTMENT COMMITTEE

Near-term Market Assessment May 2022

Purpose

This document provides summary observations from a group of Meketa investment professionals made monthly. The observations are based on a variety of market and economic factors and are meant as a high level overview of our aggregated views on current market trends. These views are used in different ways to inform near-term portfolio construction.

High Level Views

	Strongly Negative (●)	Negative (●)	Neutral (●)	Positive (●)	Strongly Positive (●)
Rate Sensitive			●		
Credit			●		
Equities		○	→ ●		
Real Assets			●		

Asset Class Views

	Strongly Negative (●)	Negative (●)	Neutral (●)	Positive (●)	Strongly Positive (●)
Within Rate Sensitive					
Cash / ST Gov't Bonds			●		
Long-Term Gov't Bonds			●		
TIPS			●		
Within Credit					
EM Debt Local		●			
EM Debt Hard		●			
High Yield Bonds			●		
Corporate Bonds			●		
Within Equities					
US Equity				●	
EAFE Equity		○	→ ●		
EM Equity		●			
Within Real Assets					
REITs			●		
Commodities Futures			● ←	○	
Pairs					
Growth vs. Value (US Equities)		●			
Large vs. Small (US Equities)				●	
Stocks vs. Bonds		○	→ ●		
US Equities vs. Int'l Equities				●	
Short vs. Long Duration			●		
Nominal Bonds vs. TIPS			●		
High Quality vs. High Yield			●		
Risk Assets vs. Cash			● ←	○	

→ Indicates change in view from previous month

○ Indicates former position of previous month's view

Asset Class	Rationale Supporting Our Position
Within Rate Sensitive	
Cash / ST Gov't Bonds ●	Short-term rates should improve as rate hikes continue, but they remain negative in real terms for now – *view unchanged.*
Long-Term Gov't Bonds ●	Long-term rates have increased on inflation concerns and as policy expectations solidify. Long-term bonds remain a hedge against the uncertainties facing the market including slowing growth, the path of the pandemic, stretched valuations in the US, and current geopolitical risks, to name a few – *view unchanged.*
TIPS ●	Inflation pressures remain and prices could stay elevated for some time. There have been some signs of inflation topping though and TIPS have performed relatively well recently – *view unchanged.*
Within Credit	
EM Debt Local ●	Continued high inflation and the strength in the US dollar remain key headwinds to local currency denominated emerging market debt, offsetting higher yields – *view unchanged.*
EM Debt Hard ●	Yields remain attractive relative to developed market credit for dollar denominated emerging market debt but are offset by slowing global growth and higher US rates. Also, longer relative duration could act as a headwind in a rising rate environment – *view unchanged.*
High Yield Bonds ●	The recent increase in spreads, relatively low default risk, and a refinancing wave at low rates should all be supportive. Still relatively tight spreads, slowing growth, and rising rates give us caution – *view unchanged.*
Corporate Bonds ●	Corporate bonds continue to provide an alternative to equity risk with a yield pick-up over Treasuries. Spreads have recently increased to the long-term average. Large debt issuance and rising rates remain concerns – *view unchanged.*
Within Equities	
US Equity ●	The US has better economic fundamentals and growth prospects relative to other developed markets. A tight labor market should support wages and continued consumer strength. However, stretched valuations, ongoing supply chain issues, an increasingly hawkish Fed, and stubbornly high inflation remain concerns – *view unchanged.*
EAFE Equity ●	Continued strength of the US dollar could weigh on developed foreign markets. The dependence of Europe on Russian energy and proximity to the Ukraine conflict should slow growth this year. Japan's energy dependence and reluctance to tighten monetary policy will likely act as headwinds. Exposure to cyclical factors and attractive valuations compared to the US remain positives – *view changed from negative to neutral.*
EM Equity ●	China's strict policy toward controlling COVID-19 cases should weaken growth and impact broader supply chain issues. High debt levels in the property market and increased regulations remain headwinds too. Beyond China, other major EM economies are impacted by a strong dollar, higher rates, and slowing growth globally – *view unchanged.*
Within Real Assets	
REITs ●	Inflation protection is balanced by rising rates and overall equity risk – *view unchanged.*
Commodities Futures ●	Given supply chain issues related to the pandemic and the conflict in Ukraine, inflation could remain high. Some signs of inflation pressures peaking and the strong recent run in commodities balances our view – *view changed from positive to neutral.*

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