

## GLOBAL MACROECONOMIC INVESTMENT COMMITTEE

# Near-term Market Assessment

July 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 (●)
<b>Within Rate Sensitive</b>					
Cash / ST Gov't Bonds			●		
Long-Term Gov't Bonds			●		
TIPS			●		
<b>Within Credit</b>					
EM Debt Local	●				
EM Debt Hard	●	←	○		
High Yield Bonds			●		
Corporate Bonds			●		
<b>Within Equities</b>					
US Equity			●	←	○
EAFE Equity			●		
EM Equity		○	→	●	
<b>Within Real Assets</b>					
REITs			●		
Commodities Futures			●		
<b>Pairs</b>					
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 rates remain deeply negative on an inflation adjusted basis – <i>view unchanged.</i>
Long-Term Gov't Bonds ●	Long-term rates have increased significantly this year on inflation concerns and as policy expectations solidified. Looking ahead, declining inflation, growth expectations, and safe-haven qualities could be supportive – <i>view unchanged.</i>
TIPS ●	Inflation pressures remain and prices could stay elevated for some time, but inflation expectations represented by breakeven rates have come down on tighter policy expectations. TIPS, especially short-dated TIPS, continue to provide an inflation hedge though, especially if inflation does not decline as quickly as expected – <i>view unchanged.</i>

### Within Credit

EM Debt Local ●	Continued high inflation, slowing global growth, and the strength in the US dollar remain key headwinds to local currency denominated emerging market debt, offsetting higher yields – <i>view unchanged.</i>
EM Debt Hard ●	Yields remain attractive relative to developed market credit for dollar denominated emerging market debt. However, increased global recession risk and higher US rates weigh on the outlook. Longer relative duration could be modestly supportive – <i>view changed from neutral to negative.</i>
High Yield Bonds ●	The recent significant increase in spreads, low default levels, and a refinancing wave at low rates in 2020-2021 should all be supportive. Still, recessionary risk and rising rates give us caution – <i>view unchanged.</i>
Corporate Bonds ●	Corporate bonds may provide an attractive alternative to equity risk as rates have risen and spreads have recently increased to slightly above the long-term average. However, continued rising rates, recessionary pressures, and large debt balances remain as overhangs – <i>view unchanged.</i>

### Within Equities

US Equity ●	A strong labor market and a resilient consumer should provide support for the economy. However, an increasingly hawkish Fed and stubbornly high inflation represent material headwinds. In addition, earnings estimates may need to be reduced to reflect a slowing economy and tighter financial conditions – <i>view changed from positive to neutral.</i>
EAFE Equity ●	Exposure to cyclical factors and attractive valuations compared to the US remain positives. However, the continued strength of the US dollar could weigh on developed foreign markets. A slowing global economy, risk related to the Russia-Ukraine war, and strained energy markets continue to be headwinds – <i>view unchanged.</i>
EM Equity ●	Overall valuations remain the lowest in EM with the recent sell-off. China's economy appears to be gaining footing as it moves past its strict policy toward controlling COVID-19 cases, which had weakened growth and exacerbated supply chain issues in the first half of the year. Monetary easing remains supportive in China too, while most other central banks are tightening. A potential resumption of zero-COVID measures as well as high debt levels in the property market and increased regulations remain headwinds. Beyond China, other major EM economies are impacted by a strong dollar, higher rates, and slowing growth globally – <i>view changed from negative to neutral.</i>

### Within Real Assets

REITs ●	Inflation protection is balanced by interest rate sensitivity and overall equity risk – <i>view unchanged.</i>
Commodities Futures ●	Commodities have been one of the bright spots this year in the inflationary environment but have recently come under pressure on slowing growth concerns balancing our view on commodities – <i>view unchanged.</i>

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