Market & Legal Update

MAY 2022 REVIEW

Stay on top of the latest market developments and legal and regulatory updates that may affect your business.

MARKET UPDATE

Market Volatility Continues as the U.S. Economy Declines

U.S. equities experienced major volatility in May as investors' concerns about persistent inflation and the Federal Reserve's hawkish monetary response grew. Fear across equity markets continued to spread as investors braced for potential negative impacts of tighter monetary policy, Russia's continued war on Ukraine, and China's extended pandemic lockdowns. However, a rally late in the month following positive economic data left U.S. indexes mostly flat in May, with the S&P 500 up 0.2% and the Dow Jones Industrial Average up 0.3%. The tech-heavy Nasdaq Composite finished negative for the month, down -2.1%. In the bond market, the yield on the 10-year Treasury note edged down to 2.85% from 2.89% last month.

Market Return Indexes	May 2022	YTD 2022
Dow Jones Industrial Average	0.3%	-8.4%
S&P 500	0.2%	-12.8%
NASDAQ (price change)	-2.1%	-22.8%
MSCI Eur. Australasia Far East(EAFE)	0.8%	-11.34%
MSCI Emerging Markets	0.4%	-11.8%
Bloomberg High Yield	0.3%	-8.0%
Bloomberg U.S. Aggregate Bond	0.6%	-8.9%
Yield Data	**May 2022**	**April 2022**
U.S. 10-Year Treasury Yield	2.85%	2.89

As anticipated, the Federal Reserve increased rates by 0.50% in the beginning of May, marking the largest rate hike in over two decades as well as the first time the Fed raised rates at back-to-back meetings since 2006. The decision followed on the heels of another month of elevated inflation, as the headline consumer price index (CPI) accelerated 8.3% year-over-year in April, a slight decline from the previous month, but still above the 8.1% estimate. The core personal consumption expenditures (PCE) Index, which is the Fed's preferred inflation measure, rose 4.9% from a year ago in April, decelerating from the March reading. This was the second consecutive decline in the annual PCE rate, indicating that price increases might be slowing. Even with the slight deceleration, inflation remains well above the Fed's 2% target. The Fed's aggressive monetary stance is intended to combat inflation levels that remain near 40-year highs, but the fear remains that the U.S. economy will not be able to withstand the aggressive tightening. Recent meeting minutes released from the Federal Open Market Committee's May meeting revealed that the Fed plans to continue with possibly two more half-percentage point increases in June and July. The FOMC also indicated that policy might have to move from a "neutral" stance to more "restrictive" as the inflation battle continues, which will truly test the health of the overall U.S. economy.

The first revision to Q1 domestic GDP from the U.S. Department of Commerce showed a contraction of 1.5%, a 0.1% downward revision from the initial estimate. This update reflects a decline in private inventory and residential investments, which were partly offset by an upward revision to consumer spending and exports. The revision includes a decline in wholesale trade (mainly motor vehicles), utilities, and manufacturing, as well as new data for building supply stores. Consumer spending, which represents 70% of economic activity, increased 0.9% in April, with a revised March number of 1.4%, indicating that consumption remains strong despite rising prices.

2.85% In the bond market, the yield on the 10-year Treasury note edged down to 2.85% from 2.89% last month.

In market news, the last full trading week of May broke the Dow's 8-week losing streak, which was the longest since 1932. The beginning of the month unveiled disappointing earnings across multiple industries, which reflected the impact of inflation as companies had difficulty offsetting rising costs. Fears of disappointing earnings, rising inflation, and rising interest rates continued to send markets to new lows throughout the month as well as a brief dip into bear-market territory, which is defined as a 20% decline from near-term highs. The end of the month welcomed some positive economic data, as U.S. households increased spending for the fourth consecutive month, headline inflation indicated a slight decline, and a few major retailers posted strong earnings despite the challenging economic environment. According to FactSet, with 97% of S&P 500 companies having reported results thus far, 77% of the companies have beaten earnings expectations, which is equal to the 5-year average, and 73% of the companies have beaten revenue expectations, which is above the 5-year average of 69%. As a result of the encouraging data, the S&P 500 finished up 6.6% for the week ending May 27th, posting its best weekly gain since November of 2020, and ultimately avoiding bear-market territory.

Market volatility will likely persist as markets continue to react to inflation figures, the Fed's response to inflation, and the unstable geopolitical environment. Investors will continue to look for more positive economic data as a sign that the U.S. economy can cope with the aggressive tightening from the Fed while they aim to subdue record inflation numbers. June will provide more insight into the economy's health as updates on CPI, production, and GDP are released, as well as another highly anticipated meeting of the FOMC.

Questions

If you have any questions regarding the latest market developments, please contact your **USI Consulting Group representative**.

LEGAL UPDATE

IRS Extends Remote Notarization and Signature Witnessing Through December 2022

The Internal Revenue Service ("IRS") began accepting remote notarization and participant signature witnessing in 2020 in response to the COVID-19 national emergency and has extended such acceptance several times since then. In May the IRS issued Notice 2022-27 ("Notice"), and announced an additional 6-month extension of the temporary relief from the regulatory requirement that qualified plan participants (and their spouses, if spousal consent is applicable) must have their election signatures witnessed in the physical presence of a plan representative or a notary public.

The new temporary relief is effective from July 1 through December 31, 2022. The IRS cautions that it does not expect to further extend this relief through the issuance of additional IRS Notices beyond December 31st. However, they also indicated that making the remote option available on a permanent basis through the normal regulatory process is under consideration at a future date.

The new temporary relief is effective from July 1 through December 31, 2022. The IRS cautions that it does not expect to further extend this relief through the issuance of additional IRS Notices beyond December 31st.

Specific Requirements for Remote Online Witness of Participant Signatures

The Notice specifies that the extension of the temporary relief is only available if the electronic method used for the notarizations and witnessing by plan representatives meets certain conditions which were listed in Notice 2021-03.

The requirements include the following:

- **A notarization must be** (1) executed via a live audio-video technology in the virtual presence of a notary public, and (2) consistent with applicable state law.

If the signature is witnessed by a plan representative, the following conditions apply:

- The participant must present a valid photo ID during the live audio-video conference;
- The live audio-video conference must allow for the direct interaction between the participant and the plan representative. Pre-recorded videos are not sufficient;
- The participant must transmit a legible copy of the signed document directly to the plan representative on the same date it is signed via fax or other electronic medium; and
- The plan representative must acknowledge that the signature was witnessed in accordance with Notice 2021-03 and transmit the acknowledgement and signed document back to the participant via an electronic medium the participant has effective ability to access. The plan representative must advise the participant that he or she may request a copy of the acknowledgment and signed document in paper form at no cost.

State Law Provides Notarization Requirements

Plan administrators and participants should keep in mind that remote online notarization may not be available under the state law applicable to the participant. While some states permanently permit remote notarizations (and did so prior to the COVID-19 national emergency), many other states temporarily authorized remote notarizations only in response to the pandemic crisis. For example, Connecticut's temporary authorization of remote online notarizations expired in February 2022. However, the Connecticut legislature is considering a bill that will permanently permit such notarizations effective October 1, 2022. Notarization requirements vary from state-to-state and should be reviewed every time a notarized signature is submitted to the plan administrator.

Questions

If you have any questions regarding remote online notarizations, please contact your **USI Consulting Group representative**.

5022.S0602.0030

How USI Consulting Group Can Help

The USI Consulting Group (USICG) team is happy to assist plan sponsors with all retirement plan compliance matters and changes in the market, including those discussed here, to help you mitigate risk and financial impact to your organization.

QUESTIONS?
Contact your USICG representative, visit our **Contact Us** page or reach out to us directly at **information@usicg.com.**

For USI Consulting Group Service Regions please click **here**.

For previous market and legal commentaries please click here.

This communication is published for general informational purposes and is not intended as advice or a recommendation specific to your plan. Neither USI nor its affiliates and/or employees/agents offer legal or tax advice.

An index is a measure of value changes in a representative grouping of stocks, bonds, or other securities. Indexes are used primarily for comparative performance measurement and as a gauge of movements in financial markets. You can not invest directly in an index and, for comparative purposes; they do not reflect the effect of the various fees inherent in actual investment vehicles.

The S&P 500 Index is a market value weighted index showing the change in the aggregate market value of 500 U.S. stocks. It is a commonly used measure of stock market total return performance.

The Dow Jones Industrial Average is a price weighted index comprised of 30 actively traded blue chip stocks; primarily industrial companies, but including some service oriented firms.

The NASDAQ Composite Index is a market-value weighted index that measures all domestic and non-U.S. based securities listed on the NASDAQ Stock Market.

Gross Domestic Product (GDP) is the market value of the goods and services produced by labor and property in the U.S. It is comprised of consumer and government purchases, net exports of goods and services, and private domestic investments. The Commerce Department releases figures for GDP on a quarterly basis. Inflation adjusted GDP (or real GDP) is used to measure growth of the U.S. economy.

The MSCI Europe and Australasia, Far East Equity Index (EAFE) is a market capitalization weighted unmanaged index developed by Morgan Stanley Capital International to measure approximately 1,100 securities in 21 major overseas stock markets. It is a commonly used measure for foreign stock market performance.

The Barclays Capital U.S. Aggregate Index covers the U.S. Dollar denominated investment grade, fixed-rate, taxable bond market of SEC-registered securities.

The Barclays Capital U.S. Corporate High Yield Index covers the U.S. Dollar denominated, non-investment grade, fixed income, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's Fitch, and S&P is Ba1/BB+/BB+ or below.

The MSCI Emerging Markets Index (EM) is a free-float-adjusted market-capitalization index developed by Morgan Stanley Capital International. It is designed to measure the equity market performance of 26 emerging market countries.

The 10 Year Treasury Yield is the interest rate the U.S. government pays to borrow money for a 10-year period. In addition to influencing how much the government pays to borrow over this time-frame, the 10-year Treasury Yields also determines how much investors earn by investing in this debt and it is a good indicator of investor sentiment

The higher the yield, the better the economic outlook.

Market Update is a monthly publication circulated by USI Advisors, Inc. and is designed to highlight various market and economic information. It is not intended to interpret laws or regulations.

This report has been prepared solely for informational purposes, based upon information generally available to the public from sources believed to be reliable, but no representation or warranty is given with respect to its completeness. This report is not designed to be a comprehensive analysis of any topic discussed herein, and should not be relied upon as the only source of information. Additionally, this report is not intended to represent advice or a recommendation of any kind, as it does not consider the specific investment objectives, financial situation and/or particular needs of any individual client.

Investment Advice provided by USI Advisors, Inc. Under certain arrangements, securities offered to the Plan through USI Securities, Inc. Member FINRA/SIPC.

USI Consulting Group is an affiliate of both USI Advisors, Inc. and USI Securities, Inc.

95 Glastonbury Boulevard, Suite 102 | Glastonbury, CT 06033 | 860.633.5283 | usicg.com |