Monthly Market Review

Multi-Asset Class | February 2023

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 6.28% in January.

► Within the S&P, eight of the 11 sectors posted positive returns. The Consumer Discretionary sector was the month's best performer, returning 15.02%. Communications was second best, posting a return of 14.50%. Utilities was the worst-performing sector, posting a return of -2.00%.

► Positive returns were seen across all market capitalizations, with small-caps (Russell 2000) returning 9.75%, while mid-caps (Russell Mid Cap Index) returned 8.30% and large-caps (Russell 1000 Index) returned 6.70%. Growth stocks outperformed value stocks across all capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 8.11%. Developed markets, represented by the MSCI EAFE Index, saw gains of 8.10%, and emerging markets, represented by the MSCI Emerging Markets Index, saw gains of 7.91% in January.

► Within the ACWI ex-U.S. Index, all of the 11 sectors posted positive returns. Information Technology was the best-performing sector internationally, with a return of 13.89%, while the second-best performer was Consumer Discretionary returning 12.64%. Utilities was the worst performer, posting a return of 2.27%.

► Regionally, non-U.S. saw positive returns across the board, with EM Latin America performing the best, returning 9.87%, while EMEA (Europe, Middle East, and Africa) performed the worst, returning 2.29%.

Fixed Income

► Treasury yields rose in the very short term and fell across the rest of the curve in January. The 10-year saw a 37 basis points (bps) decrease in rates and the 30-year saw a decrease of 34 bps, while the 2- and 5-year rates decreased by 23 and 39 bps, respectively, leading to the Broad Treasury Index returning 2.59% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) gained 3.08% in January. Investment-grade (IG) credit as a whole returned 3.81%, AAA-rated bonds returned 2.07%, AA-rated bonds returned 3.71%, A-rated bonds returned 3.78%, and BBB-rated bonds returned 4.14%. High yield corporates also saw a gain of 3.81% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 10.67%. Performance was positive for all of the nine real estate sectors. Lodging and Resorts did the best, returning 17.13%. The worst-performing sector of the month was Retail, returning 7.37%.

► The active contract for West Texas Intermediate (WTI) crude fell to $78.87/barrel in January, down from $80.26/barrel at the end of December, and down $9.28 year-over-year.

Items to Watch

► Employment continues to be top of mind, as January's jobs report continues to signal a resilient labor market despite expectations of deceleration. The unemployment rate ticked down to 3.4% — the lowest level since 1969. While payroll employment rose by 517,000 jobs last month, blowing away expectations, at almost three times the 190,000 gain that consensus estimates had predicted. This comes as a hiring slowdown was expected due to the Federal Reserve's (Fed) aggressive tightening. They hoped it would serve to moderate labor costs and wage pressures and help bring down inflation. Despite the surprising growth in employment, the growth in average hourly earnings was in line with consensus expectations at 0.3% month-over-month (3.7% annualized) in January. Earnings growth now stands at 4.4% year-over-year, the lowest since mid-2021.

► The Fed remains focused on pulling back inflation, with the Federal Open Market Committee (FOMC) unanimously voting to raise the target for the federal funds rate by 25 bps, to a range of 4.50% to 4.75%, at the conclusion of its meeting at the beginning of the month. Fed Chair Jerome Powell suggested future rate hikes may be necessary, and rate cuts this year remain unlikely, however markets expect lower rates by year-end.

► Both the European Central Bank (ECB) and the Bank of England also raised interest rates at 50bps each. The ECB explicitly signaled at least one more hike of the same magnitude in March, reaffirming it would continue to fight against inflation, which fell from all-time highs but remained at 8.5% in January.

► U.S. purchasing manager surveys saw manufacturing dropping for the third straight month with a reading of 47.4 in January, while service sector business activity rebounded, increasing to 55.2. Employment expanded across both sectors, but new orders contracted for the fifth month in a row in the manufacturing sector while recovering in the service sector.

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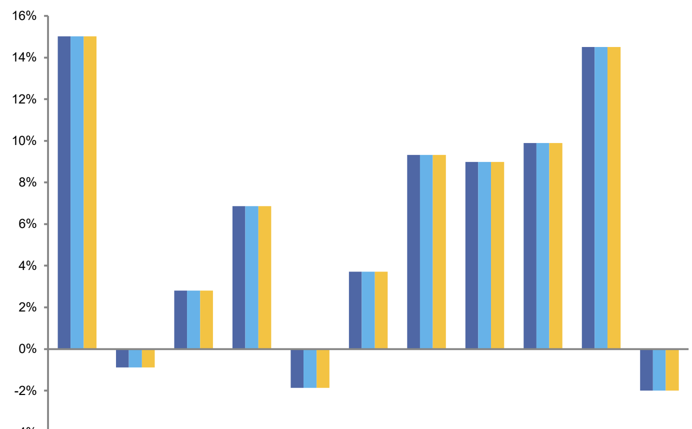
Total Return of Major Indices				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	6.28%	6.28%	6.28%	-8.23%
Russell 3000	6.89%	6.89%	6.89%	-8.26%
Russell 2000	9.75%	9.75%	9.75%	-3.41%
Russell 1000	6.70%	6.70%	6.70%	-8.56%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	8.11%	8.11%	8.11%	-5.72%
MSCI EAFE	8.10%	8.10%	8.10%	-2.83%
MSCI Emerging Markets	7.90%	7.90%	7.90%	-12.12%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	3.08%	3.08%	3.08%	-8.36%
Bloomberg Global Agg	3.28%	3.28%	3.28%	-11.69%
Bloomberg U.S. HY	3.81%	3.81%	3.81%	-5.22%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	10.67%	10.67%	10.67%	-10.14%
Bloomberg Commodity	-0.89%	-0.89%	-0.89%	3.65%

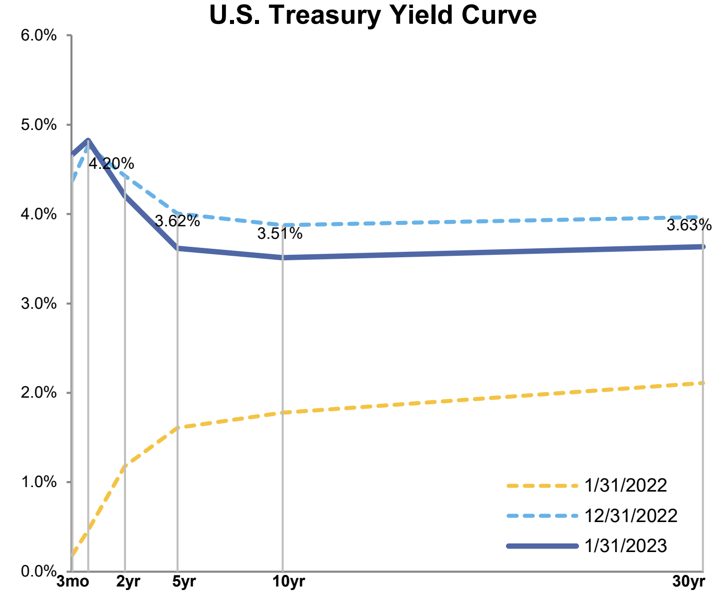
Economic Indicators		
Domestic	**Current**	**Previous Month**
Unemployment Rate (%)	3.4%	3.5%
Initial Jobless Claims (4 week average)	191.8 K	197.5 K
CB Leading Economic Indicators	-0.8	-0.8
Capacity Utilization	78.8%	79.4%
GDP (annual growth rate)	2.9%	3.2%
University of Michigan Consumer Confidence	64.9	59.7
New Home Starts	616 K	602 K
Existing Home Sales	4 MM	4.1 MM
Retail Sales (YoY)	7.0%	7.2%
U.S. Durable Goods (MoM)	5.6%	-1.8%
Consumer Price Index (YoY)	6.5%	7.1%
Producer Price Index (MoM)	-1.5%	0.2%
Developed International*	**9/30/2022**	**6/30/2022**
Market GDP (annual rate)	2.8%	3.7%
Market Unemployment	4.3%	4.3%

Stock Market Sector Performance (S&P 500)

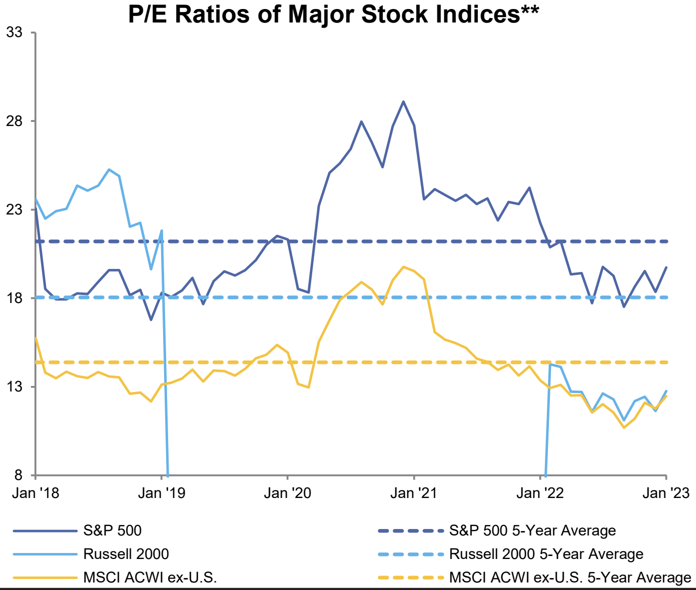


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	15.02%	-0.89%	2.81%	6.86%	-1.87%	3.72%	9.32%	8.98%	9.90%	14.50%	-2.00%
QTD	15.02%	-0.89%	2.81%	6.86%	-1.87%	3.72%	9.32%	8.98%	9.90%	14.50%	-2.00%
YTD	15.02%	-0.89%	2.81%	6.86%	-1.87%	3.72%	9.32%	8.98%	9.90%	14.50%	-2.00%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of January 31, 2023, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of September 30, 2022 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*

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