Monthly Market Review

Multi-Asset Class | November 2022

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 8.10% in October.

► Within the S&P, all the 11 sectors posted positive returns. The Energy sector was the best performer of the month returning 24.96%. Industrials was second best, posting a return of 13.92%. Communication Services was the worst performing sector, posting a return of 0.14%.

► Positive returns were seen across all market capitalizations, with small-caps (Russell 2000) returning 11.01%, while mid-caps (Russell Mid Cap Index) returned 8.88% and large-caps (Russell 1000 Index) performed the best, returning 8.02%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 2.99%. Developed markets, represented by the MSCI EAFE Index, saw gains of 5.38%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, saw losses, with returns of -3.11% in October.

► Within the ACWI ex-U.S. Index, seven of the 11 sectors posted positive returns. Energy was also the best performing sector internationally, with a return of 10.21%, while the second-best performer was Industrials returning 6.62%. Real Estate was the worst performer, posting a return of -4.90%.

► Regionally, non-U.S. returns were mixed, with EM Latin America performing the best, returning 9.66%, while EM Asia performed the worst, seeing losses of -5.86%.

Fixed Income

► October saw U.S. Treasury yields continuing to climb after (still) hot inflation numbers and still tight labor market conditions spooked bond holders. The 10-year saw a 22-basis point (bps) increase in rates and the 30-year saw an increase of 39 bps, while the 2- and 5-year rates increased by 20 and 14 bps, respectively, leading to the Broad Treasury Index returning -1.52% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) lost -1.30% in October. Investment-grade (IG) credit returned -1.03%, AAA-rated bonds returned -0.78%, AA-rated bonds returned -1.75%, A-rated bonds returned -1.23%, and BBB-rated bonds returned –0.76%. High yield corporates saw a gain of 2.60% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 4.89%. Performance was positive for seven of the nine real estate sectors. Lodging and Resorts did the best, returning 19.65%. The worst performing sector of the month was Residential, returning -2.85%.

► The active contract for West Texas Intermediate (WTI) crude rose to $86.53/barrel in October, up from $79.49/barrel at the end of September.

Items to Watch

► As the Federal Reserve (Fed) wrestles with sticky inflation, we continue to monitor the labor market, which remains resilient, despite aggressive rate hikes. October's jobs report showed 261,000 people were added to payrolls; however, the number of unemployed people rose to the highest level since February, with 306,000 more unemployed workers in the U.S. The unemployment rate rose to 3.7%, after the dip to 3.5% in September, which, while higher-than-expected, is also still low by historical standards. Average hourly earnings, a key data point the Fed pays attention to beat expectations and rose 0.4% month-over-month. Competition to fill millions of vacant job openings, according to the most recent Job Openings and Labor Turnover Survey (JOLTS), has driven rapid wage gains. While the labor market shows signs of softening, it isn't showing enough weakness to influence a pause on the fed funds rate.

► The U.S. is not alone in this, a week after the Bank of Canada's smaller-than-expected interest rate increase of 50 bps, which signaled its tightening cycle was nearing its peak. Canada's jobs report saw 108,000 jobs added in October, 10 times more than forecast. Like the U.S., the unemployment rate held higher at 5.2% as more people sought work, despite the increase in openings. But the continued strength in the market means more hikes may be on the horizon and the peak may not be as close as hoped.

► October's service-sector activity also points to economic slowdown, with demand-side indicators softening as price pressures rise. The U.S. services industry, which makes up more than two-thirds of all U.S. economic activity, grew at its slowest pace in nearly two and a half years. The Institute for Supply Management (ISM) services index fell to 54.4, coming in below the consensus forecast though readings above 50 are considered positive, the barometer is at its lowest level since May 2020.

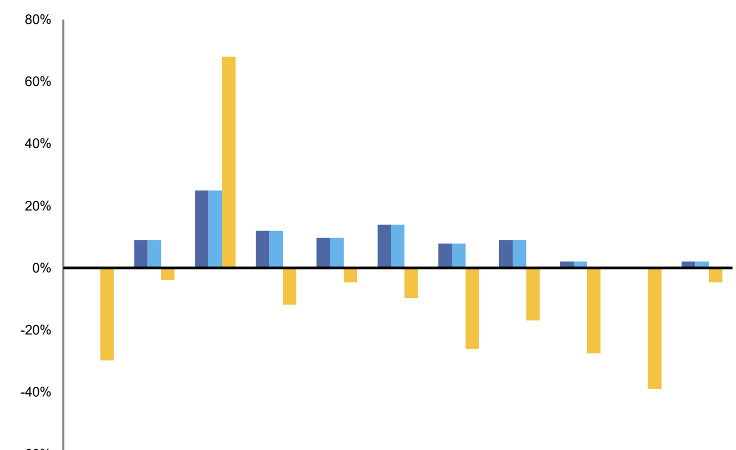
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	8.10%	8.10%	-17.72%	-14.63%
Russell 3000	8.20%	8.20%	-18.45%	-16.54%
Russell 2000	11.01%	11.01%	-16.86%	-18.56%
Russell 1000	8.02%	8.02%	-18.55%	-16.40%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	2.99%	2.99%	-24.31%	-24.73%
MSCI EAFE	5.38%	5.38%	-23.17%	-23.00%
MSCI Emerging Markets	-3.11%	-3.11%	-29.42%	-31.03%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-1.30%	-1.30%	-15.72%	-15.68%
Bloomberg Barclays Global Agg	-0.69%	-0.69%	-20.44%	-20.79%
Bloomberg Barclays U.S. HY	2.60%	2.60%	-12.53%	-11.76%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	4.89%	4.89%	-24.61%	-18.51%
Bloomberg Commodity	1.67%	1.67%	14.30%	9.67%

Economic Indicators

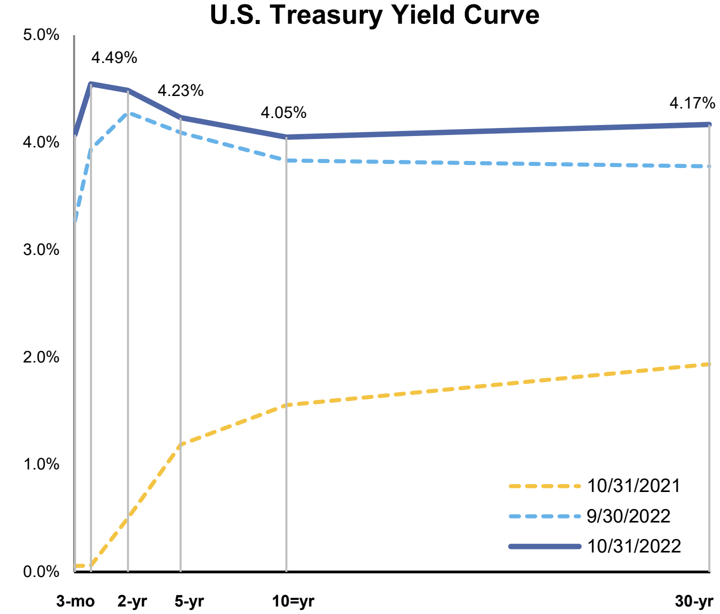
Domestic	Current	Previous Month
Unemployment Rate (%)	3.7%	3.5%
Initial Jobless Claims (4 week average)	218.8 K	219.3 K
CB Leading Economic Indicators	-0.4	0.0
Capacity Utilization	80.3%	80.1%
GDP (annual growth rate)	2.6%	-0.6%
University of Michigan Consumer Confidence	59.9	58.6
New Home Starts	603 K	677 K
Existing Home Sales	4.7 MM	4.8 MM
Retail Sales (YoY)	8.9%	10.0%
U.S. Durable Goods (MoM)	0.4%	0.2%
Consumer Price Index (YoY)	8.2%	8.3%
Producer Price Index (MoM)	0.3%	-1.1%
Developed International*	**6/30/2022**	**3/31/2022**
Market GDP (annual rate)	3.8%	3.9%
Market Unemployment	4.3%	4.3%

Stock Market Sector Performance (S&P 500)

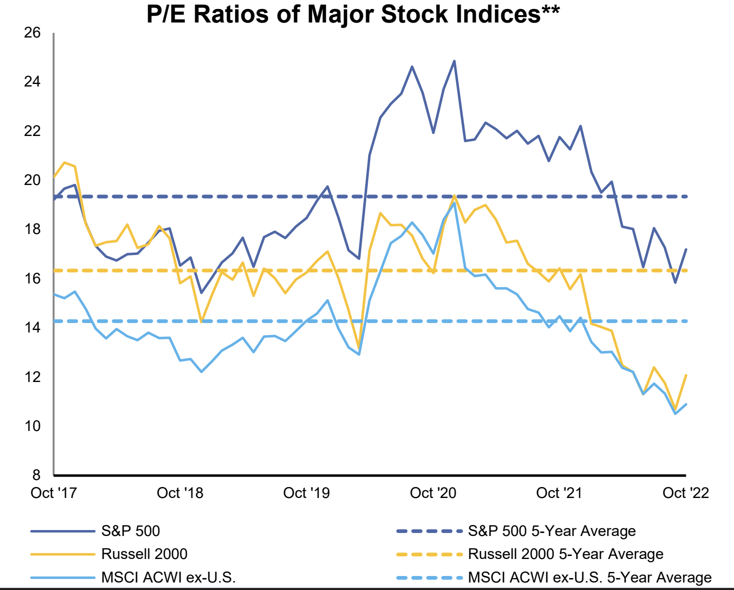


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	0.23%	9.04%	24.96%	11.99%	9.71%	13.92%	7.82%	9.00%	2.04%	0.14%	2.05%
QTD	0.23%	9.04%	24.96%	11.99%	9.71%	13.92%	7.82%	9.00%	2.04%	0.14%	2.05%
YTD	-29.73%	-3.86%	68.05%	-11.81%	-4.64%	-9.68%	-26.08%	-16.88%	-27.47%	-38.96%	-4.59%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of October 31, 2022, 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 June 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.*