

Market Review

Snapshot

Most global stock and bond indices started 2023 on a strong note, delivering solid January gains. Expectations for central banks to change course amid moderating inflation and slowing growth aided the investment backdrop.

- Investor optimism returned in January, as cooler inflation data and weakening economic activity led to expectations for a near-term end to monetary tightening. The first reading of fourth-quarter U.S. GDP showed growth slowed compared with the third quarter, while key economic indicators continued to soften in January.
- U.S. inflation data released in January showed the rates of headline and core CPI slowed in December to 6.5% and 5.7%, respectively. Inflation also moderated in Europe and the U.K. but remained notably higher than U.S. inflation.
- After declining in December, the S&P 500 Index bounced back in January with a gain of 6.28%, despite generally weaker corporate earnings. Non-U.S. developed markets stocks outperformed U.S. stocks and emerging markets stocks.
- Most sectors of the S&P 500 Index advanced in January. The consumer discretionary sector was the strongest, up more than 15%, while the utilities sector was the weakest, down 2%.
- In the U.S., small-cap stocks generally outperformed large-cap stocks, and growth stocks outpaced value stocks. Outside the U.S., large-cap stocks outperformed, and the growth style outpaced value in most capitalization categories.
- Against a backdrop of moderating inflation and slowing growth, U.S. Treasury yields declined for the month. Bonds posted strong monthly gains.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	6.28	5.76	6.28	-8.22	9.87	9.53	12.67
U.S. Small-Cap Equity							
Russell 2000	9.75	5.02	9.75	-3.38	7.50	5.53	9.36
Intl. Developed Markets Equity							
MSCI World ex USA Index	8.20	19.14	8.20	-2.98	4.64	2.47	4.91
Emerging Markets Equity							
MSCI Emerging Markets	7.90	22.16	7.90	-12.12	1.40	-1.48	2.07
Global Real Estate Equity							
S&P Global REIT	9.35	12.30	9.35	-11.42	-0.67	3.07	4.48
U.S. Fixed Income							
Bloomberg U.S. Aggregate	3.08	6.39	3.08	-8.36	-2.35	0.86	1.43
Global Fixed Income							
Bloomberg Global Aggregate Bond	3.28	8.73	3.28	-11.69	-3.85	-1.25	-0.03
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.34	1.01	0.34	1.86	0.77	1.27	0.76

Data as of 1/31/2023. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

		U.S.				Non-U.S. Developed Markets				Emerging Markets			
		QTD (%)		YTD (%)		QTD (%)		YTD (%)		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
Size	Large	5.18	8.33	5.18	8.33	7.82	8.39	7.82	8.39	7.49	9.24	7.49	9.24
	Small	9.54	9.95	9.54	9.95	7.88	7.41	7.88	7.41	5.18	6.68	5.18	6.68

- All major size and style categories advanced in January, led by small-cap growth.
- With a gain of nearly 10% in January, small-cap stocks outperformed large caps, which gained 7%.
- Growth stocks outperformed their value-stock counterparts across capitalization categories.

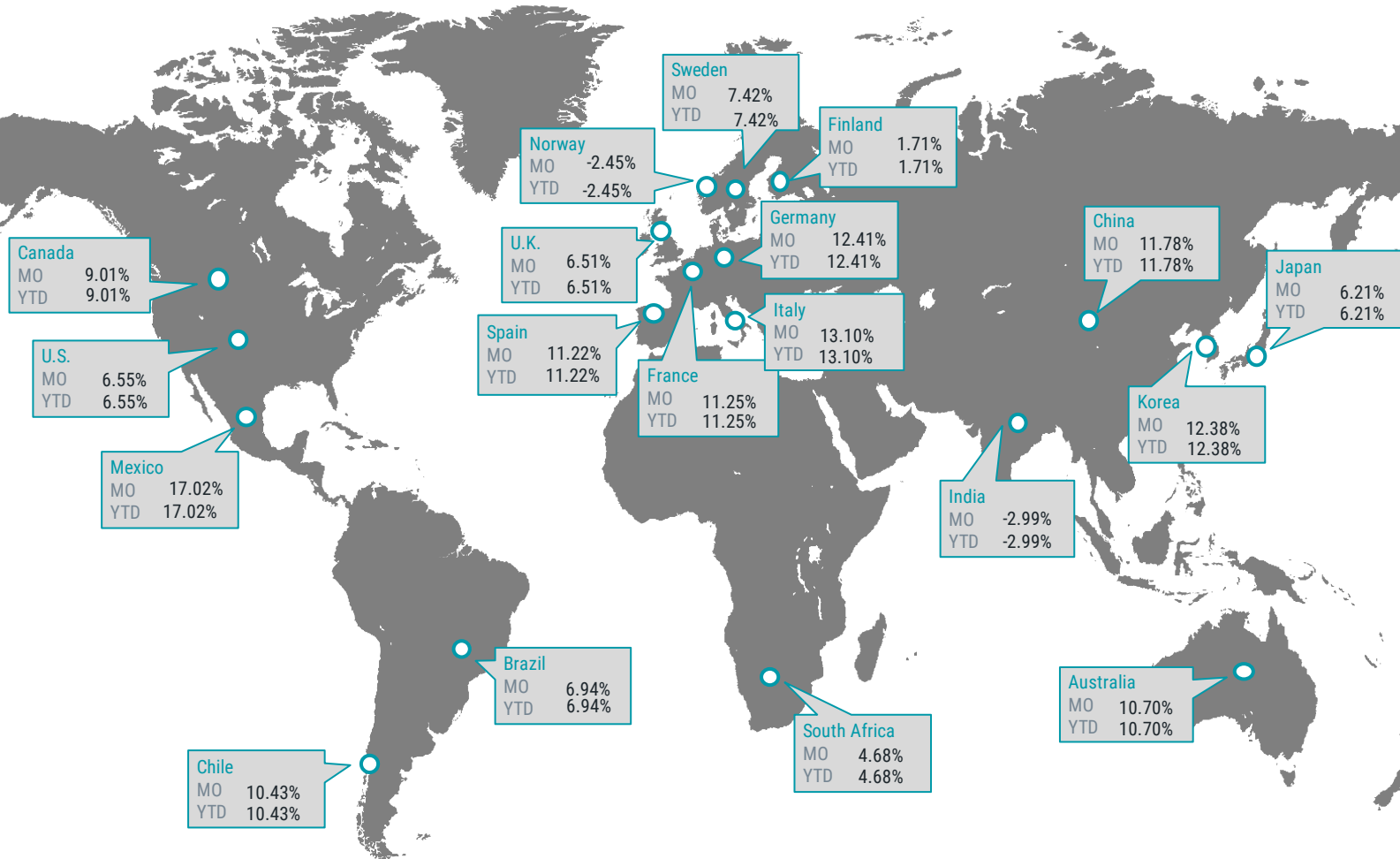
- International developed markets stocks rallied in January and outperformed U.S. and emerging markets stocks.
- Large-cap stocks gained more than 8% and outperformed small caps for the month.
- Growth stocks outperformed value stocks within the large-cap segment. Among small caps, value stocks outperformed.

- The broad emerging markets stock index rallied in January and outperformed U.S. stocks.
- Large-cap stocks significantly outperformed small-cap stocks for the month.
- Growth stocks outperformed value stocks across capitalization categories in January. Large-cap growth stocks were the top performers in the emerging markets asset class.

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U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Fixed-Income Returns

Inflation data maintained a downward trend and Treasury yields retreated in January. All sectors of the U.S. bond market rallied for the month.

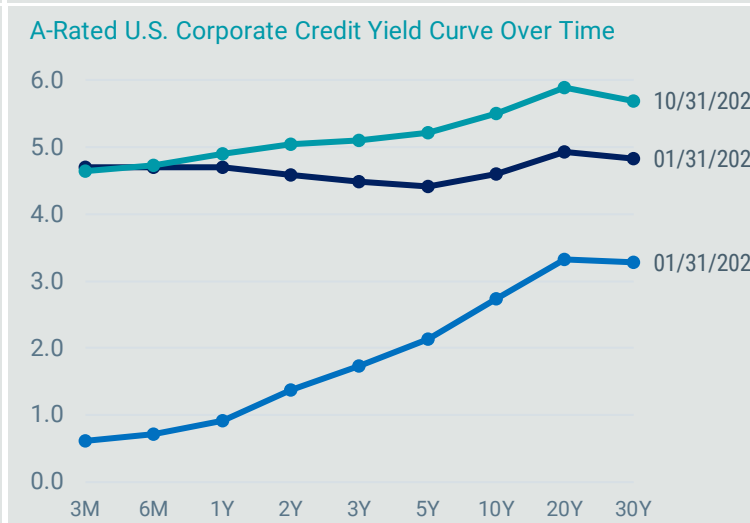
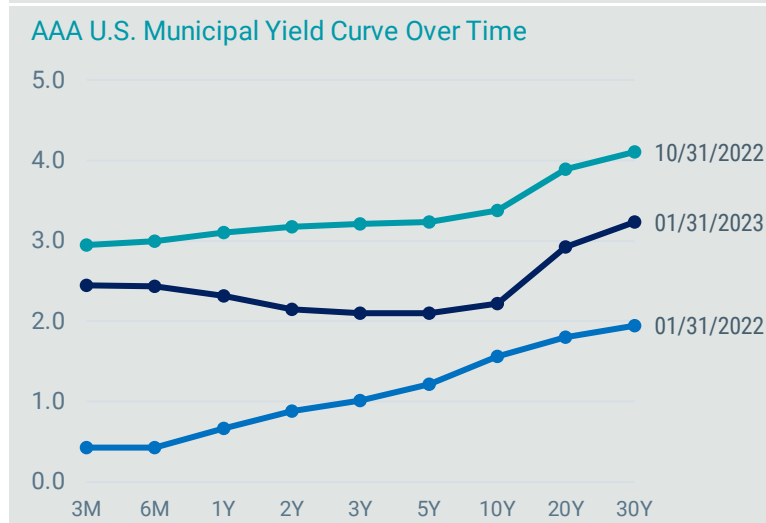
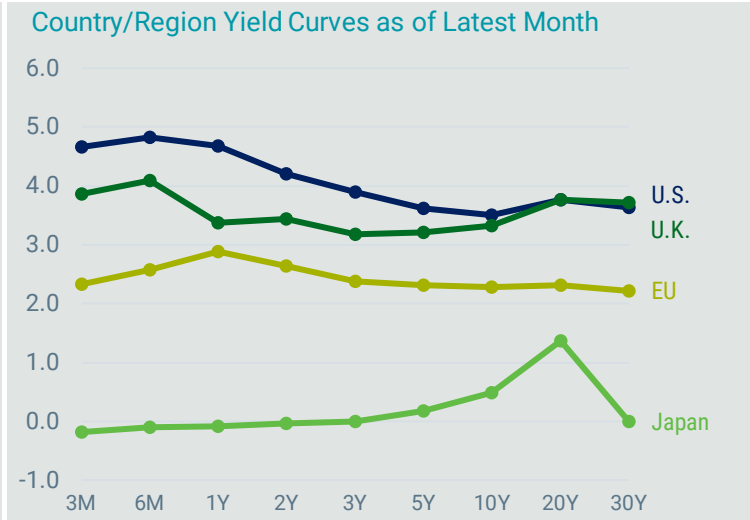
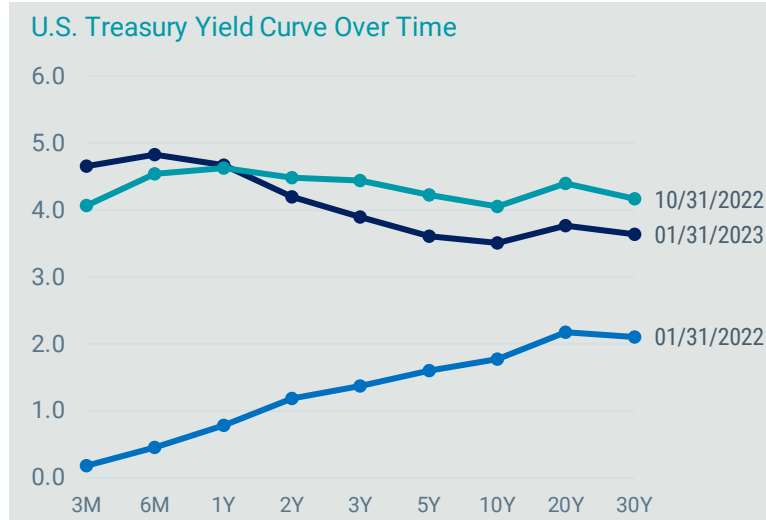
- The Bloomberg U.S. Aggregate Bond Index advanced 3% in January, led by the investment-grade corporate bond sector and MBS. Treasuries lagged the aggregate index.
- Narrowing credit spreads and declining yields helped corporate bonds return 4% and outperform Treasuries and MBS. Meanwhile, high-yield corporates advanced but underperformed investment-grade corporates.
- Market expectations for the Fed to slow its rate-hike pace helped push the two-year Treasury yield 21 bps lower to 4.21%. The 10-year Treasury yield fell 37 bps to 3.51%, and the yield curve remained inverted.
- Annual headline CPI eased from 7.1% in November to 6.5% in December, while core inflation dropped from 6.0% to 5.7%. Nevertheless, certain key CPI components remained elevated, including food (up 10%), shelter (up 8%) and energy (up 7%).
- Municipal bonds rallied for the month and outperformed Treasuries but underperformed the broad U.S. investment-grade bond index.
- Inflation breakeven rates modestly declined for the month, and TIPS, which gained nearly 2%, underperformed the broad Treasury index.

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U.S. Fixed Income							
Bloomberg U.S. Aggregate	3.08	6.39	3.08	-8.36	-2.35	0.86	1.43
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	3.81	5.40	3.81	-5.22	1.29	2.95	4.28
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	4.01	8.91	4.01	-9.33	-2.36	1.44	2.45
Municipals							
Bloomberg Municipal Bond	2.87	7.99	2.87	-3.25	-0.42	2.07	2.38
U.S. TIPS							
Bloomberg U.S. TIPS	1.83	2.64	1.83	-8.38	1.12	2.65	1.37
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	2.51	4.71	2.51	-8.54	-2.60	0.68	0.91
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.34	1.01	0.34	1.86	0.77	1.27	0.76

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Global Yield Curves



Data as at 1/31/2023 Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).