

# Market Review

# Snapshot

January's market optimism faded amid expectations for inflation and interest rates to remain higher for longer. After rallying to start the year, stocks and bonds declined in February.

- Following a 25-bps rate hike in early February, the Fed indicated additional tightening likely would be necessary to battle persistently high inflation. Other central banks projected a similar outlook. This news squashed the market's earlier optimism and contributed to declines among global stocks and bonds.
- The rates of annual U.S. headline and core CPI slowed slightly in January versus December, from 6.5% to 6.4% and 5.7% to 5.6%, respectively. Inflation also eased in Europe and the U.K. but remained notably higher than in the U.S.
- After rallying in January, the S&P 500 Index returned -2.44% in February. Non-U.S. developed markets stocks modestly outperformed U.S. stocks, while emerging markets stocks plunged and underperformed.
- Most sectors of the S&P 500 Index declined in February. The information technology sector was the only positive performer, up 0.5%, while the energy sector was the weakest, down 7%.
- In the U.S., small-cap stocks generally fared better than large-cap stocks, and growth stocks outpaced value stocks. In non-U.S. developed markets, large-cap stocks slightly outperformed, and the value style generally outpaced growth.
- Amid ongoing inflation and interest rate worries, U.S. Treasury yields rose for the month. Bond returns broadly declined in February.

## Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
<b>U.S. Large-Cap Equity</b>							
S&P 500	-2.44	-2.28	3.69	-7.69	12.15	9.82	12.24
<b>U.S. Small-Cap Equity</b>							
Russell 2000	-1.69	0.89	7.89	-6.02	10.08	6.01	9.05
<b>Intl. Developed Markets Equity</b>							
MSCI World ex USA Index	-2.33	5.16	5.67	-3.75	7.09	2.98	4.76
<b>Emerging Markets Equity</b>							
MSCI Emerging Markets	-6.48	-0.52	0.90	-15.28	0.97	-1.86	1.52
<b>Global Real Estate Equity</b>							
S&P Global REIT	-4.43	0.82	4.50	-13.32	0.69	3.56	3.90
<b>U.S. Fixed Income</b>							
Bloomberg U.S. Aggregate	-2.59	-0.04	0.41	-9.72	-3.77	0.53	1.12
<b>Global Fixed Income</b>							
Bloomberg Global Aggregate Bond	-3.32	0.39	-0.15	-13.60	-5.14	-1.74	-0.27
<b>U.S. Cash</b>							
Bloomberg U.S. 1-3 Month Treasury Bill	0.35	1.05	0.69	2.21	0.84	1.32	0.80

Data as of 2/28/2023. 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.			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	1.47	7.05	1.47	7.05
	Small	7.02	8.76	7.02	8.76

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	5.87	5.10	5.87	5.10
	Small	5.73	4.28	5.73	4.28

		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	1.10	0.35	1.10	0.35
	Small	1.33	4.50	1.33	4.50

- All major size and style categories declined in February, with large-cap value stocks posting the largest decline. Year to date, stocks delivered broad gains, with small-cap growth leading the way.
- Small-cap stocks declined in February but outperformed large caps. Small caps retained their performance edge for the year-to-date period.
- Growth stocks outperformed their value-stock counterparts across capitalization categories in February and year to date.

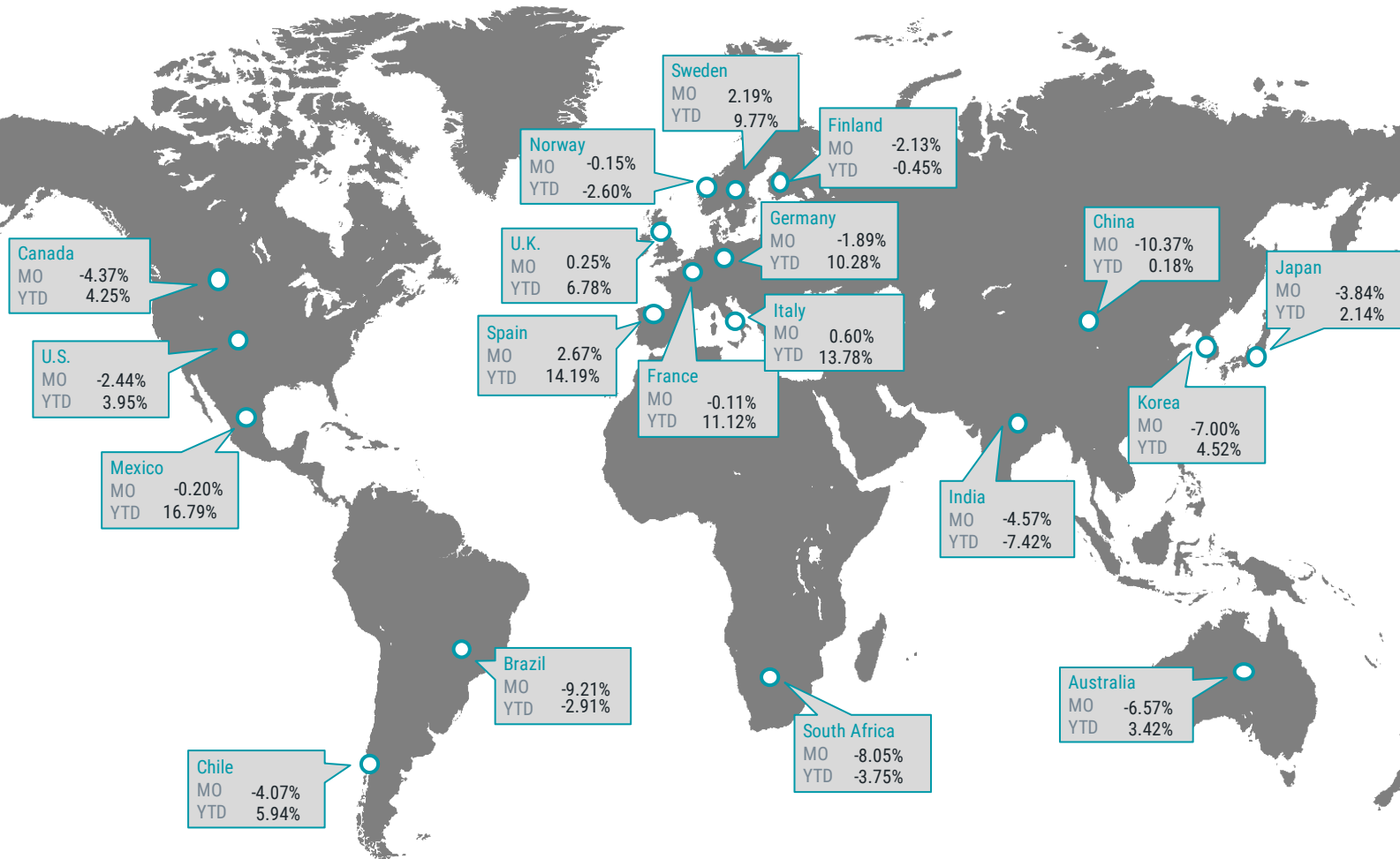
- International developed markets stocks declined in February and modestly outperformed U.S. stocks. Year to date, returns were broadly positive.
- Large-cap stocks slightly outperformed small-cap stocks for the month. Large caps also outperformed for the year-to-date period.
- Value stocks outperformed growth stocks across capitalization segments in February and year to date.

- The broad emerging markets stock index declined sharply in February and underperformed developed markets stocks. The index maintained a slight year-to-date gain.
- Small-cap stocks significantly outperformed large-cap stocks for the month and year to date.
- Value stocks outperformed growth stocks among large caps in February and year to date. In the small-cap universe, the growth style outperformed in both time periods.

Data as of 2/28/2023. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.

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



Data as of 2/28/2023. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

# Fixed-Income Returns

Treasury yields reversed course from January and moved higher in February. All main sectors of the U.S. bond market declined for the month.

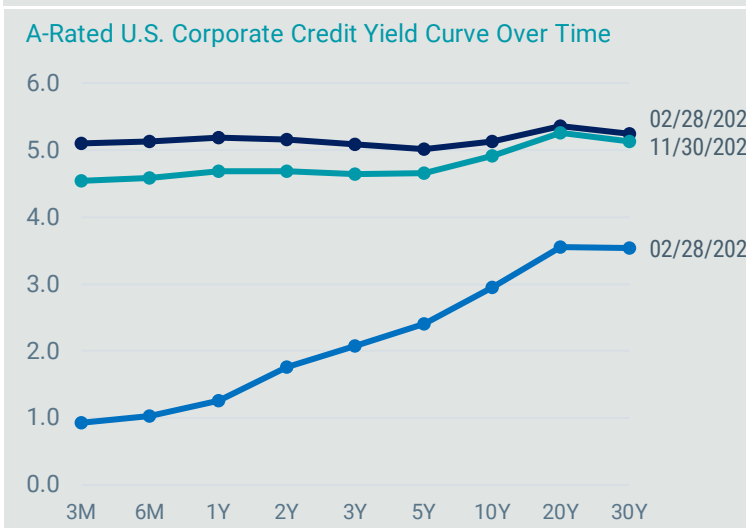
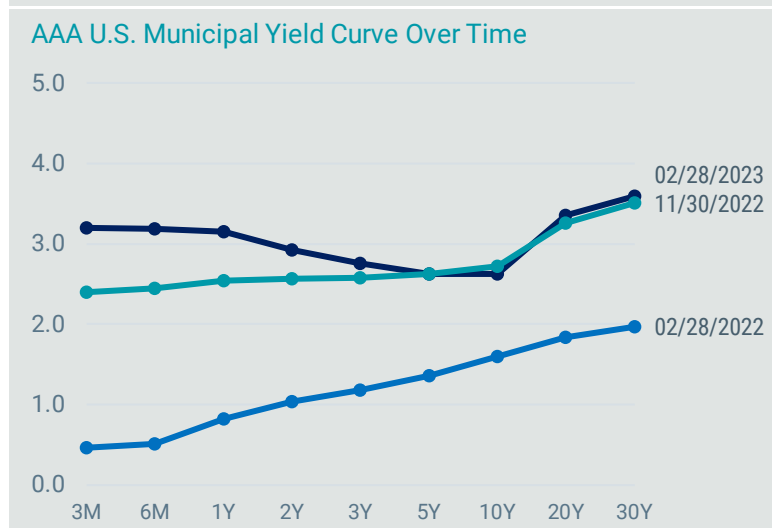
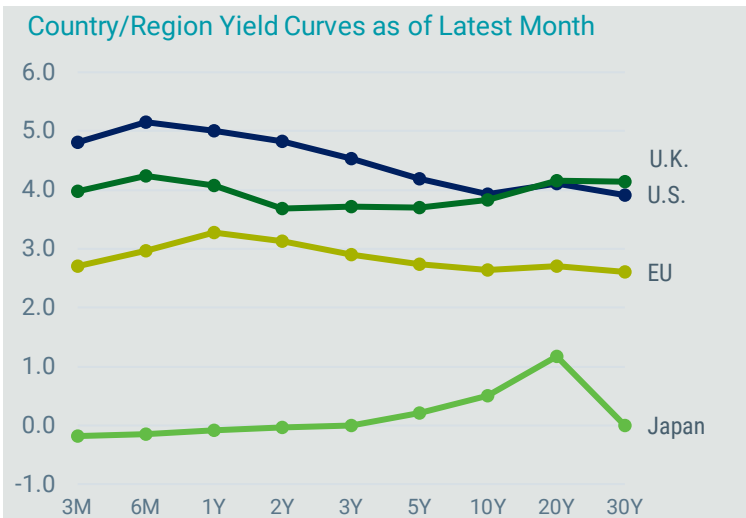
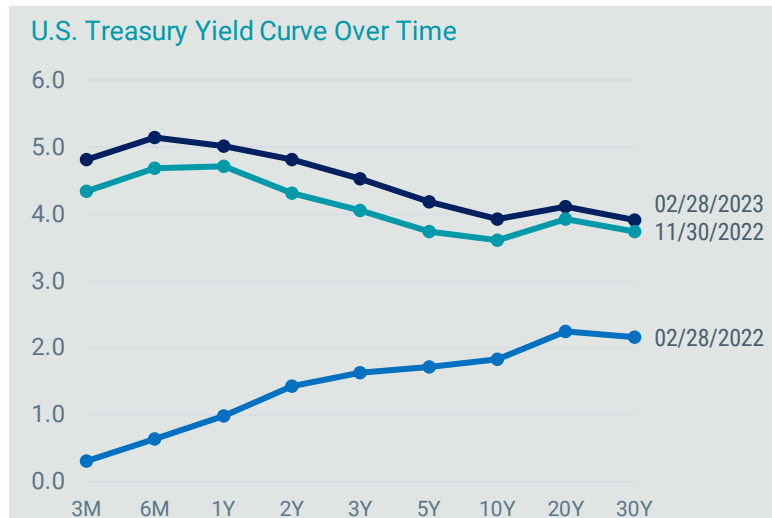
- The Bloomberg U.S. Aggregate Bond Index returned -2.59% in February, as the investment-grade corporate bond and MBS sectors underperformed.
- Wider credit spreads and rising yields weighed on investment-grade corporate bonds and MBS. Treasuries also declined but outperformed the broad bond market.
- High-yield corporate bonds declined but outperformed investment-grade corporates.
- Expectations for the Fed to lift rates higher than previously estimated drove the two-year Treasury yield 61 bps higher to 4.82%. The 10-year Treasury yield climbed 41 bps to 3.92%, and the yield curve remained inverted.
- Annual headline CPI eased slightly in January, even as food, energy, shelter and transportation services costs rose sharply. Meanwhile, the pace of monthly inflation increased from 0.1% in December to 0.5% in January, largely due to rising energy prices.
- Municipal bonds declined but outperformed Treasuries and the broad U.S. investment-grade bond index.
- Although TIPS declined for the month, they outperformed nominal Treasuries amid renewed inflation worries.

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<b>U.S. Fixed Income</b>							
Bloomberg U.S. Aggregate	-2.59	-0.04	0.41	-9.72	-3.77	0.53	1.12
<b>U.S. High-Yield Corporate</b>							
Bloomberg U.S. Corporate High Yield Bond	-1.29	1.83	2.47	-5.46	1.34	2.86	4.09
<b>U.S. Investment Grade</b>							
Bloomberg U.S. Corporate Bond	-3.18	0.26	0.70	-10.43	-3.83	1.12	2.04
<b>Municipals</b>							
Bloomberg Municipal Bond	-2.26	0.83	0.55	-5.10	-1.60	1.66	2.11
<b>U.S. TIPS</b>							
Bloomberg U.S. TIPS	-1.37	-0.59	0.44	-10.40	0.20	2.57	1.22
<b>U.S. Treasuries</b>							
Bloomberg U.S. Treasury Bond	-2.34	-0.41	0.11	-10.08	-4.20	0.35	0.62
<b>U.S. Cash</b>							
Bloomberg U.S. 1-3 Month Treasury Bill	0.35	1.05	0.69	2.21	0.84	1.32	0.80

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# Global Yield Curves



Data as at 2/28/2023 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).