

Market Review

Snapshot

Global stocks and bonds started 2023 strong, with most indices delivering first-quarter gains. But it was a bumpy ride. Persistent challenges from inflation and Fed policy, along with new obstacles from banking sector unrest, generated sharp volatility.

- Optimism regarding a swift end to the Fed's rate hike program helped fuel a stock rally in January. However, the Fed squashed that sentiment in February amid persistent inflation. Stocks continued to struggle into March, culminating mid-month on news of several bank failures and a reset of Fed expectations.
- Quick intervention from the Fed, the FDIC and the U.S. Treasury Department to stabilize the financial system helped calm markets. The S&P 500 Index rallied to a 3.7% return in March, which helped the index advance 7.5% for the quarter.
- Most S&P 500 sectors advanced in March and the first quarter. The information technology sector was the strongest, up 11% in March and 22% for the quarter. The financials sector was the weakest, plunging 10% in March and 6% for the quarter.
- Non-U.S. developed markets stocks faced similar challenges and followed a similar performance pattern as U.S. stocks. Emerging markets stocks rallied in March and advanced for the quarter but not as strongly as developed markets stocks.
- U.S. inflation continued to moderate. Nevertheless, the Fed hiked rates 25 bps in February and again in March and indicated more tightening still might be necessary to quell inflation. Central banks in Europe and the U.K. raised rates 100 bps and 75 bps, respectively, amid still-high inflation.
- U.S. Treasury yields ended the quarter lower, with most of the retreat occurring in the wake of the banking industry's turmoil.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	3.67	7.50	7.50	-7.73	18.60	11.18	12.23
U.S. Small-Cap Equity							
Russell 2000	-4.78	2.74	2.74	-11.61	17.51	4.71	8.03
Intl. Developed Markets Equity							
MSCI World ex USA Index	2.22	8.02	8.02	-2.74	13.49	3.80	4.91
Emerging Markets Equity							
MSCI Emerging Markets	3.03	3.96	3.96	-10.70	7.83	-0.91	2.00
Global Real Estate Equity							
S&P Global REIT	-2.99	1.37	1.37	-20.29	8.87	2.40	3.26
U.S. Fixed Income							
Bloomberg U.S. Aggregate	2.54	2.96	2.96	-4.78	-2.77	0.90	1.36
Global Fixed Income							
Bloomberg Global Aggregate Bond	3.16	3.01	3.01	-8.07	-3.43	-1.34	0.07
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.09	1.09	2.60	0.91	1.38	0.84

Data as of 3/31/2023. 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.			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large		1.01	14.37	1.01	14.37
		-0.66	6.07	-0.66	6.07
Small		-0.66	6.07	-0.66	6.07
		1.01	14.37	1.01	14.37

- U.S. stocks broadly advanced for the month and year-to-date period.
- In March, large-cap stocks advanced and outperformed small-cap stocks, which declined. Year to date, large- and small-cap stocks posted gains, but large caps significantly outperformed.
- Growth stocks sharply outperformed value stocks across the capitalization spectrum for the month and year to date. For the quarter, large-cap growth advanced more than 14%, while small-cap value declined nearly 1%.

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large		5.55	10.77	5.55	10.77
		4.55	5.45	4.55	5.45
Small		4.55	5.45	4.55	5.45
		5.55	10.77	5.55	10.77

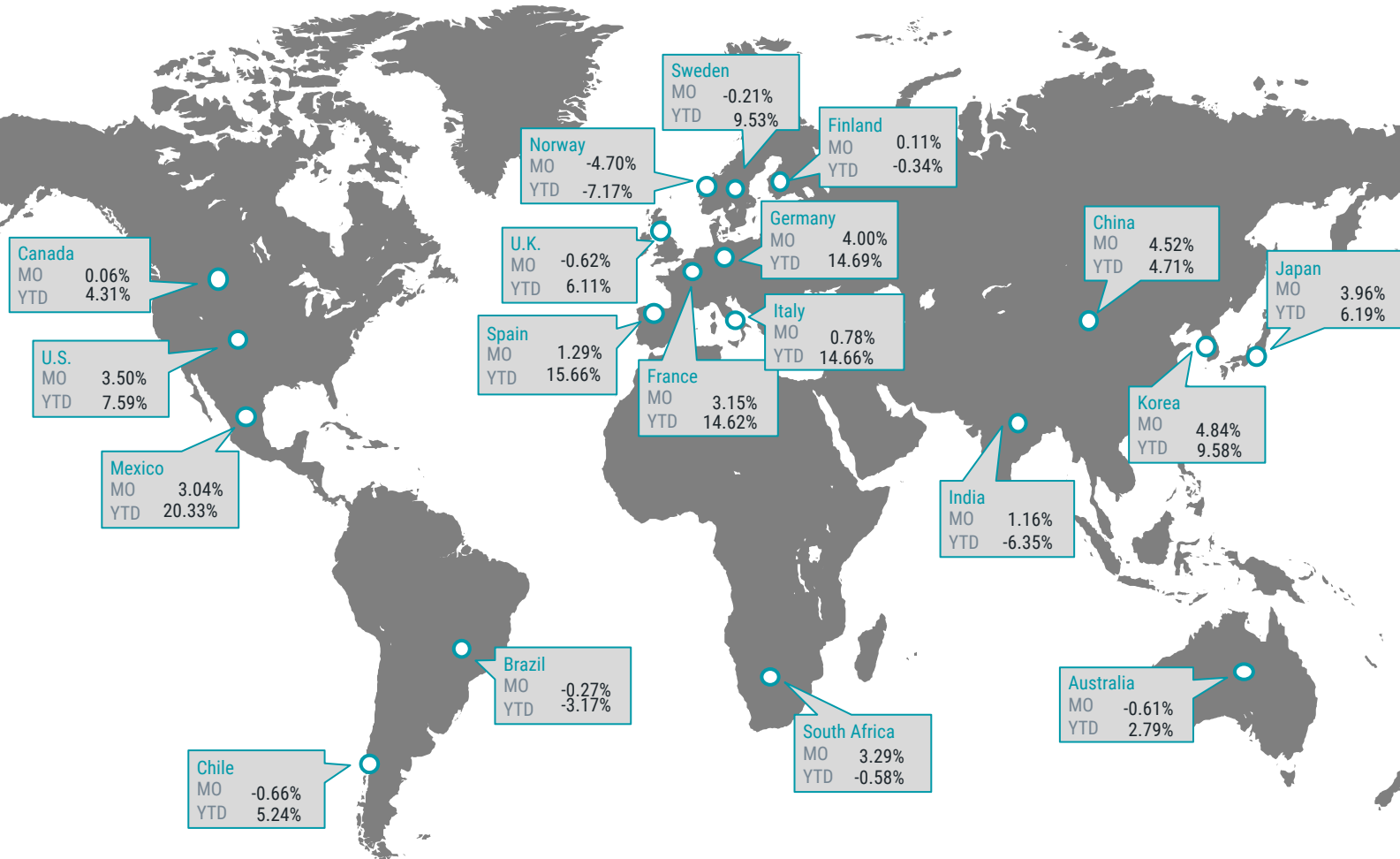
- International developed markets stocks posted gains for March and rallied 8% in the first quarter.
- Large-cap stocks fared better than small-cap stocks in March and more significantly for the year-to-date period.
- In March, growth stocks advanced and outperformed value stocks, which declined. Year to date, growth and value stocks advanced across capitalizations, but growth outperformed value.

		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Large		4.05	4.26	4.05	4.26
		1.67	6.09	1.67	6.09
Small		1.67	6.09	1.67	6.09
		4.05	4.26	4.05	4.26

- The broad emerging markets stock index rallied for the month and delivered a modest gain relative to developed markets year to date.
- Large-cap stocks outperformed small-cap stocks for the month and in the first quarter.
- Style-specific indices were up in March and year to date, with growth outperforming value across size categories. The growth-style advantage was more prominent among small caps.

Data as of 3/31/2023. 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



Fixed-Income Returns

U.S. Treasury yields ended the quarter sharply lower, largely due to the emergence of banking industry trouble in early March, which sparked a flight to quality. The yield backdrop led to broad bond market gains for March and the first quarter.

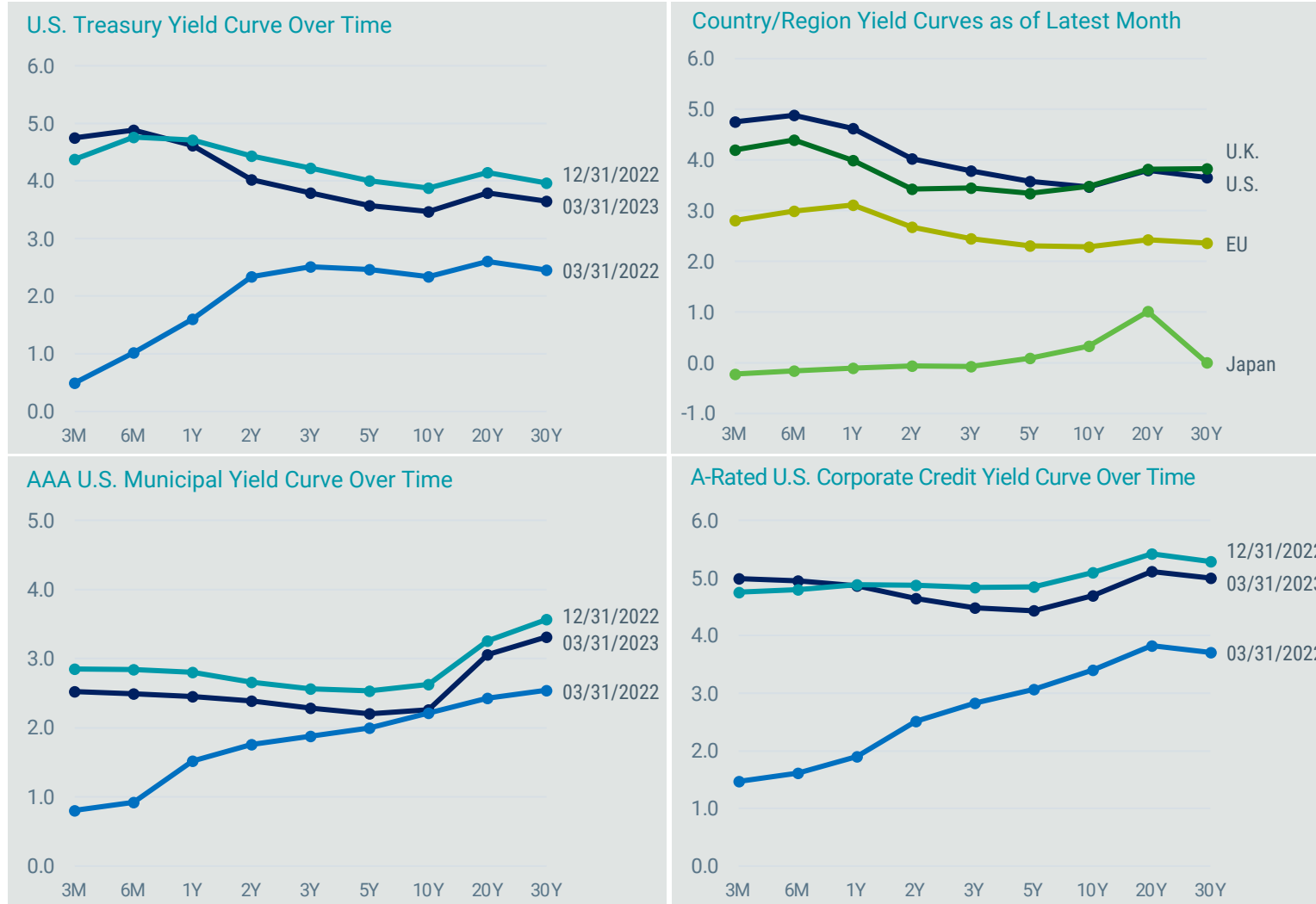
- The Bloomberg U.S. Aggregate Bond Index advanced nearly 3% in the first quarter. Gains in January and March overwhelmed the index's decline in February. All sectors delivered monthly and quarterly gains.
- After falling in January, Treasury yields climbed through early March, when several bank failures led to sharp declines in the two- and 10-year Treasury yields. The 10-year Treasury yield ended the quarter at 3.47%, down 41 bps from December 31. The two-year Treasury yield fell 39 bps to 4.03%, and the yield curve steepened but remained inverted.
- Annual inflation moderated in the quarter, with headline CPI dropping from 6.5% in December to 6% in February. Annual core CPI eased from 5.7% to 5.5%. TIPS performed in line with nominal Treasuries in March and outperformed for the quarter.
- The Fed raised rates 25 bps in February and again in March. By quarter-end, easing inflation and banking sector uncertainty led to market expectations for no additional rate hikes and rate cuts later this year. However, the Fed indicated another rate hike may be necessary to quell inflation.
- Municipal bonds advanced but underperformed the rallying Treasury market for the month and quarter.
- Investment-grade corporate bonds posted solid gains in March and for the quarter. High-yield corporates lagged investment-grade corporates in March and outperformed in the quarter.

Returns (%)

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U.S. Fixed Income							
Bloomberg U.S. Aggregate	2.54	2.96	2.96	-4.78	-2.77	0.90	1.36
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	1.07	3.57	3.57	-3.34	5.91	3.21	4.10
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	2.78	3.50	3.50	-5.55	-0.54	1.62	2.32
Municipals							
Bloomberg Municipal Bond	2.22	2.78	2.78	0.26	0.35	2.03	2.38
U.S. TIPS							
Bloomberg U.S. TIPS	2.89	3.34	3.34	-6.06	1.75	2.94	1.48
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	2.89	3.01	3.01	-4.51	-4.20	0.74	0.90
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.09	1.09	2.60	0.91	1.38	0.84

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Global Yield Curves



Data as at 3/31/2023. 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). **Past Performance is no guarantee of future results.**