

Market Review

Snapshot

Bolstered by robust gains in June, global and U.S. stocks delivered solid returns in the second quarter. U.S. bonds retreated in June and declined for the quarter but maintained year-to-date gains.

- Lingering worries about a potential recession, tighter credit conditions and the Fed's future inflation-fighting path didn't slow stocks in the second quarter. Alongside a June debt ceiling deal and a Fed pause (which followed a May rate hike), the S&P 500 Index rallied for the month and quarter.
- Outsized gains in several mega-cap technology stocks aided broad index performance. Nevertheless, all S&P 500 sectors advanced for the month, and only the energy and utilities sectors declined for the quarter.
- Non-U.S. developed markets stocks and emerging markets stocks advanced but lagged U.S. stocks in June and the second quarter. Emerging markets stocks underperformed non-U.S. developed markets stocks.
- The government revised upward first-quarter annualized U.S. economic growth to 2%. Meanwhile, the eurozone logged its second-consecutive quarterly decline and slipped into recession.
- U.S. inflation continued to slow in May. Inflation moderated in Europe and the U.K. but remained well above targets, prompting central bankers to hike rates in May and June.
- In the U.S., large-cap stocks generally outperformed small-cap stocks for the quarter but underperformed in June. Growth outpaced value among large and small caps. Outside the U.S., large-cap stocks and the value style outperformed.
- U.S. Treasury yields rose for the month and quarter, and the broad bond market declined.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	6.61	8.74	16.89	19.59	14.60	12.30	12.86
U.S. Small-Cap Equity							
Russell 2000	8.13	5.21	8.09	12.31	10.82	4.21	8.25
Intl. Developed Markets Equity							
MSCI World ex USA Index	4.75	3.03	11.29	17.41	9.30	4.58	5.40
Emerging Markets Equity							
MSCI Emerging Markets	3.80	0.90	4.89	1.75	2.32	0.93	2.95
Global Real Estate Equity							
S&P Global REIT	3.11	0.71	2.09	-3.02	5.34	1.35	3.80
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.36	-0.84	2.09	-0.94	-3.96	0.77	1.52
Global Fixed Income							
Bloomberg Global Aggregate Bond	-0.01	-1.53	1.43	-1.32	-4.96	-1.08	0.20
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.43	1.22	2.33	3.72	1.31	1.53	0.96

Data as of 6/30/2023. 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

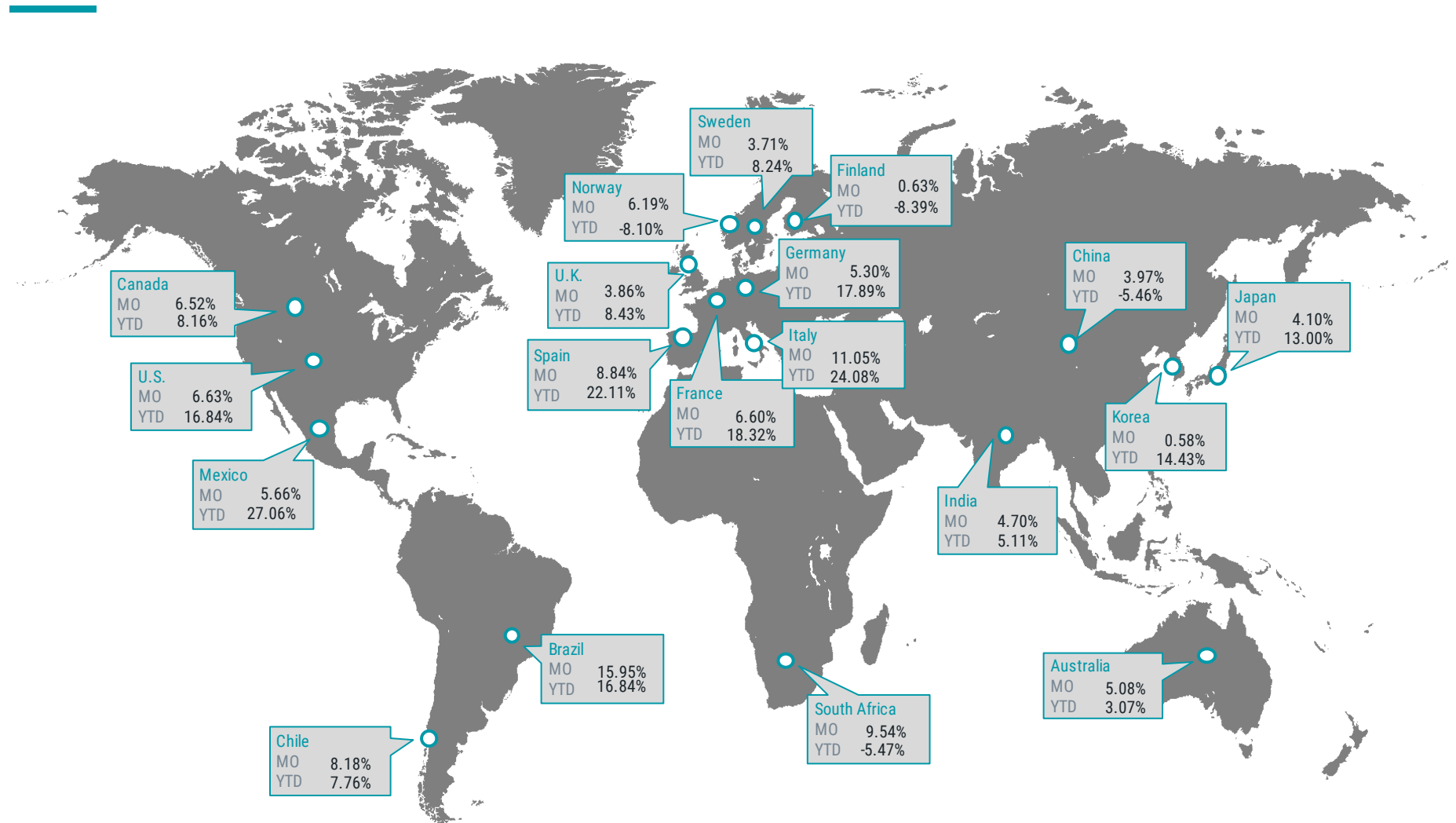
		U.S.				Non-U.S. Developed Markets				Emerging Markets			
		QTD (%)		YTD (%)		QTD (%)		YTD (%)		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
Size	Large	4.07	12.81	5.12	29.02	3.73	3.32	9.48	14.45	2.51	-1.40	6.66	2.80
	Small	3.18	7.05	2.50	13.55	0.71	0.27	5.30	5.73	6.69	6.12	8.47	12.58

- U.S. stocks broadly rallied for the month and year-to-date period. Size and style categories delivered strong gains for both timeframes.
- Large-cap stocks lagged their small-cap peers in June but sharply outperformed year to date, gaining nearly 17%. Small caps gained 8% for the month and year-to-date period.
- Large- and small-cap growth stocks modestly outperformed their value peers in June. Year to date, growth stocks maintained a significant performance advantage.
- International developed markets stocks posted solid monthly and year-to-date gains but lagged their U.S. counterparts.
- Large-cap stocks outperformed small caps for the month. They also significantly outperformed for the year-to-date period.
- Large- and small-cap value stocks outperformed growth stocks in June. Year to date, the growth style held a significant advantage among large caps and a modest edge in the small-cap universe.
- The broad emerging markets stock index advanced in June to extend its year-to-date gain.
- Small-cap stocks outperformed large caps in June. Year to date, small caps maintained a significant edge over their large-cap peers.
- In June, value stocks outperformed growth stocks among large caps and underperformed among small caps. That trend remained in place for the year-to-date period.

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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



Data as of 6/30/2023. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

With a debt ceiling resolution, waning banking industry concerns and resilient economic data, Treasury yields rose. The broad bond benchmark declined for June and the second quarter.

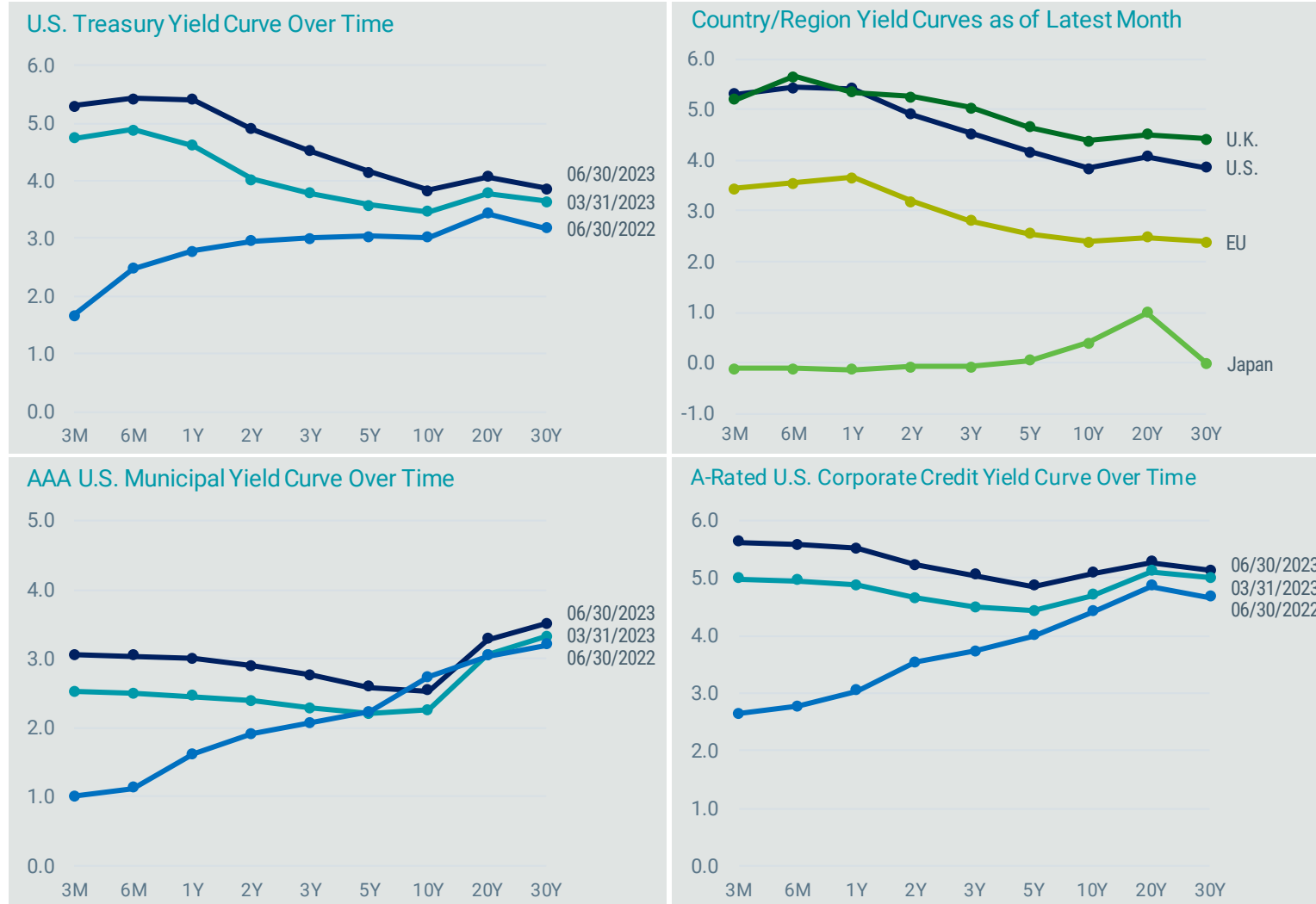
- The Bloomberg U.S. Aggregate Bond Index returned -0.36% in June and -0.84% for the second quarter. The two-year Treasury yield jumped 87 bps to 4.90% at quarter-end, while the 10-year yield climbed 37 bps to 3.84%.
- Credit spreads tightened, and corporate bonds outperformed Treasuries and MBS. Meanwhile, high-yield corporates posted monthly and quarterly gains and outperformed investment-grade corporates.
- As widely expected, the Fed raised rates in early May and paused in June. However, Fed policymakers indicated the pause was only temporary, and they may hike a couple more times during upcoming FOMC meetings to ensure continued progress toward their inflation target.
- Amid falling energy prices, annual headline CPI continued to moderate, increasing 4% in May, the lowest level since March 2021. Core inflation also slowed to a 5.3% annualized gain. The shelter component increased 8% year over year, which accounted for more than 60% of the increase in May's core CPI.
- Municipal bonds (munis) delivered a gain in June, but they declined slightly for the quarter. Munis outperformed Treasuries for both periods.
- Ten-year inflation breakeven rates declined for the quarter, and TIPS declined and underperformed nominal Treasuries.

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U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.36	-0.84	2.09	-0.94	-3.96	0.77	1.52
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	1.67	1.75	5.38	9.06	3.13	3.35	4.43
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	0.41	-0.29	3.21	1.55	-3.44	1.76	2.63
Municipals							
Bloomberg Municipal Bond	1.00	-0.10	2.67	3.19	-0.58	1.84	2.68
U.S. TIPS							
Bloomberg U.S. TIPS	-0.34	-1.42	1.87	-1.40	-0.12	2.49	2.08
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-0.75	-1.38	1.59	-2.13	-4.80	0.44	0.96
U.S. Cash							
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Global Yield Curves



Data as at 6/30/2023 Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. The yield curve is a line graph showing the yields of fixed-income securities over a range of different maturities (typically three months to 30 years), at a single point in time.