

Market Review

Snapshot

The July rally was short-lived, as global stocks retreated again in August amid tighter central bank policy and recession fears. Global bond returns also declined as inflation remained high.

- The S&P 500 Index dropped more than 4% for the month, as early-August's optimism faded. Despite slowing inflation data, Fed Chair Jerome Powell insisted the Fed's inflation-fighting work was far from over, dashing the market's hopes for a near-term Fed pivot.
- Corporations generally reported stronger-than-expected second-quarter earnings, yet most S&P 500 sectors declined in August. The energy and utilities sectors delivered gains, while the information technology sector declined more than 6%.
- Recent data pointed to continued economic weakness, especially in the housing market. However, jobs growth remained strong, fueling expectations for another 75 bps Fed rate hike in September.
- U.S. inflation slowed to 8.5% (year over year) in July, compared with 9.1% in June. Amid a mounting energy crisis, European inflation rose to a record 9.1%, while U.K. inflation hit a fresh 40-year high of 10.1%.
- Worries about recession and energy supplies contributed to broad losses for non-U.S. developed markets stocks, which modestly underperformed U.S. stocks. Conversely, better outlooks for many developing countries pushed the broad emerging markets index higher.
- Expectations for additional Fed rate hikes drove U.S. Treasury yields higher in August, and bonds generally declined.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	-4.08	-3.88	-16.14	-11.23	12.38	11.82	13.07
U.S. Small-Cap Equity							
Russell 2000	-2.05	-0.72	-17.16	-17.88	8.58	6.95	10.00
Intl. Developed Markets Equity							
MSCI World ex USA	-4.67	-9.35	-18.70	-18.56	2.98	2.08	4.95
Emerging Markets Equity							
MSCI Emerging Markets	0.42	-6.49	-17.49	-21.80	2.73	0.59	2.92
Global Real Estate Equity							
S&P Global REIT	-6.03	-6.78	-18.90	-14.02	0.05	2.85	4.98
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-2.83	-2.01	-10.75	-11.52	-1.99	0.52	1.35
Global Fixed Income							
Bloomberg Global Aggregate Bond	-3.95	-5.05	-15.55	-17.61	-4.39	-1.46	-0.28
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.18	0.32	0.42	0.44	0.54	1.07	0.62

Data as of 8/31/2022. 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		3.45%	6.78%	-9.85%	-23.19%
	Small	6.21%	10.15%	-12.17%	-22.29%

		Non-U.S. Developed Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		-1.76%	1.54%	-11.25%	-24.53%
	Small	1.30%	3.14%	-17.03%	-27.34%

		Emerging Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		-1.31%	0.89%	-14.77%	-20.53%
	Small	5.12%	5.49%	-11.74%	-19.67%

- All major size and style categories declined in August and maintained steep year-to-date losses.
- Small-cap stocks fared better than large caps for the month, but they continued to trail large-cap stocks on a year-to-date basis.
- In August, value stocks outperformed growth stocks in the large-cap universe but underperformed growth in the small-cap arena. Year to date, value stocks retained their edge across capitalizations.

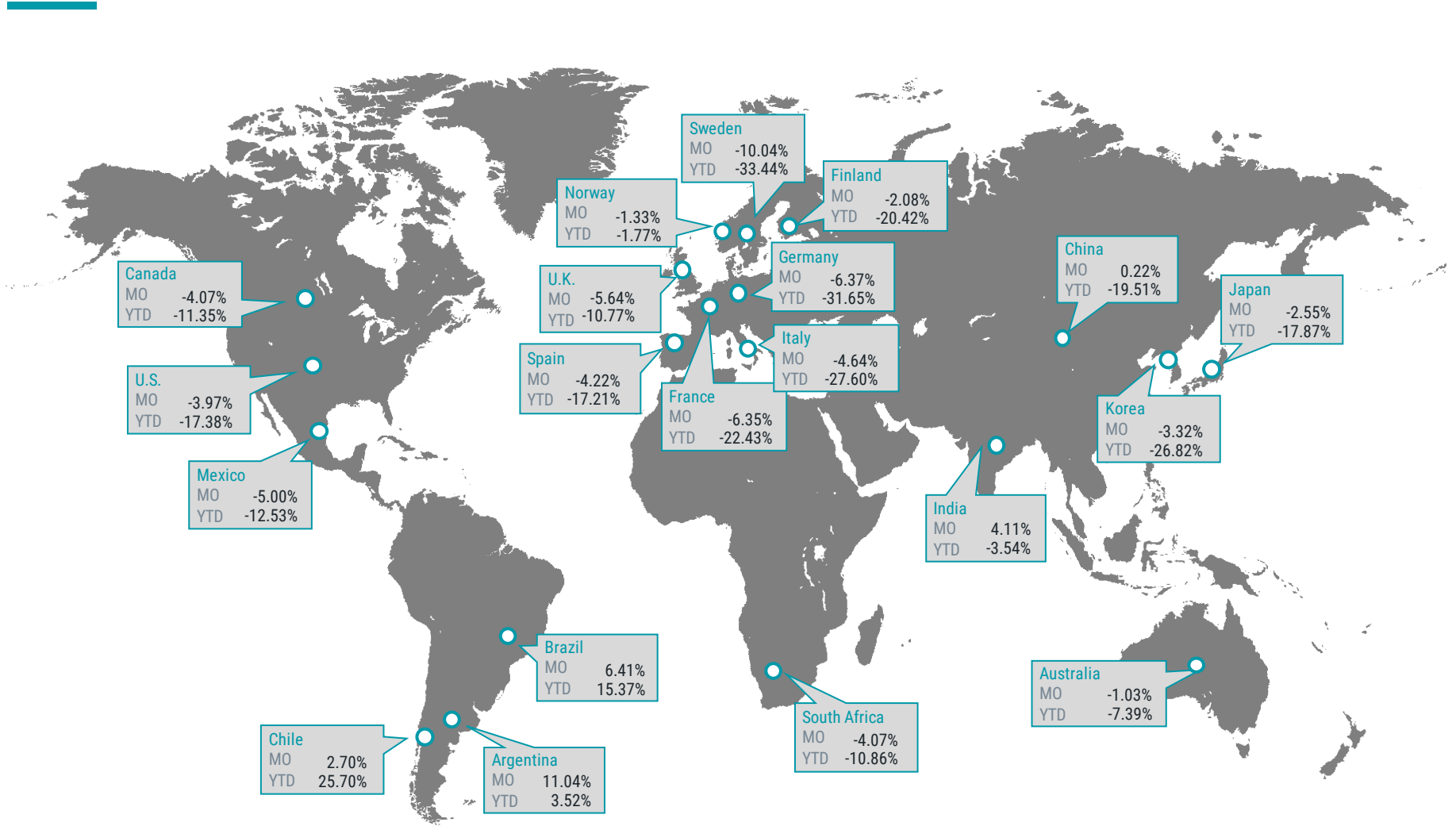
- International developed markets stocks declined in August and remained sharply lower year to date.
- Small caps fared modestly better than large caps for the month. Year to date, large-cap stocks outperformed small-cap stocks.
- Value stocks outperformed growth stocks across capitalizations in August. Value stocks also fared much better than growth stocks for the year-to-date period.

- The broad emerging markets stock index increased slightly in August but declined sharply year to date.
- Small-cap stocks advanced in August and outperformed large caps, which rose slightly. Year to date, losses were widespread, but small caps fared better than large caps.
- Growth stocks outperformed value stocks across capitalizations in August. Across the board, year-to-date losses among growth stocks were larger than they were for value stocks.

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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 8/31/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

After declining in July, yields reversed course in August, and bonds broadly declined. Fed sentiment remained hawkish, and Treasury yields climbed higher across the yield curve.

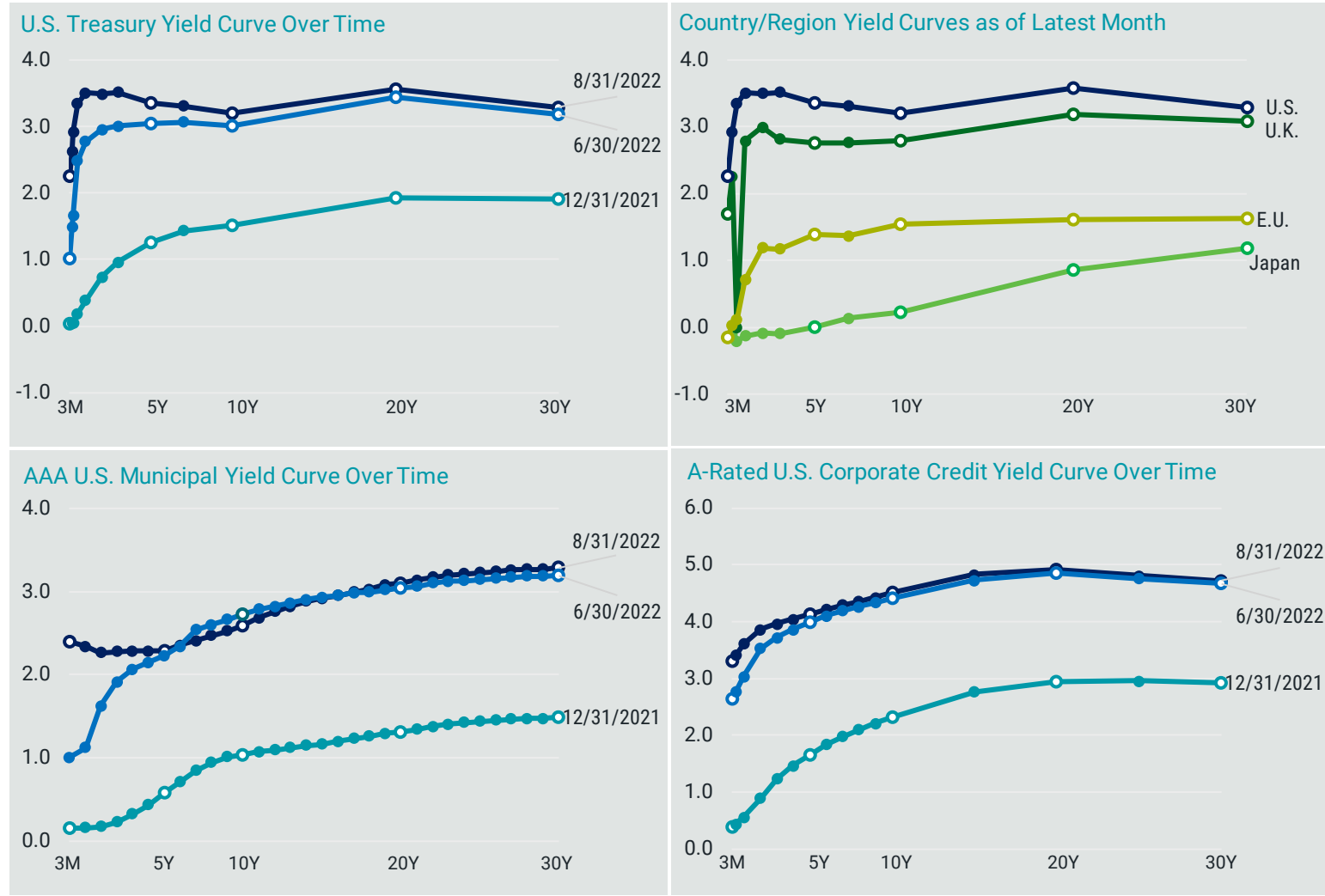
- The Bloomberg U.S. Aggregate Bond Index declined nearly 3% in August, as all index sectors posted losses.
- Rising mortgage rates and slowing home sales weighed on the MBS sector, which was among the bond market's worst performers. Despite modest spread tightening, corporate bonds also underperformed the broad bond index. High-yield corporates outperformed investment-grade corporates.
- Municipal bond (muni) yields tracked Treasury yields higher. Munis declined for the month, but they fared better than Treasuries.
- Five- and 10-year inflation breakeven rates eased in August, and TIPS declined. TIPS underperformed nominal Treasuries, which declined but outperformed the broad bond index.
- Amid ongoing rate-hike expectations, Treasury yields climbed higher in August. The 10-year Treasury yield jumped 54 bps to 3.19%, while the two-year Treasury yield rose 60 bps to 3.48%. Accordingly, the yield curve remained inverted.
- Headline inflation moderated to 8.5% (year over year) in July. Although energy prices declined on a month-to-month basis, they were up 33% versus July 2021. Food prices rose 1.1% from June to July and 11% compared with a year earlier.

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U.S. High Yield Corporate							
Bloomberg U.S. Corporate High-Yield Bond	-2.30	-3.50	-11.22	-10.60	1.02	2.58	4.51
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-2.93	-2.60	-14.21	-14.91	-2.11	1.02	2.32
Municipals							
Bloomberg Municipal Bond	-2.19	-1.25	-8.62	-8.63	-0.83	1.28	2.25
U.S. TIPS							
Bloomberg U.S. Treasury - U.S. TIPS	-2.66	-1.64	-7.49	-5.98	2.65	3.22	1.73
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-2.48	-1.80	-9.98	-10.80	-2.24	0.30	0.83
U.S. Cash							
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Global Yield Curves



Data as of 8/31/2022 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).

Portfolio Updates