

Market Review

Snapshot

Global and U.S. stocks declined in August, but major indices preserved strong year-to-date gains. U.S. bonds fell for the month but also hung on to positive year-to-date results.

- A late-month rally improved results for U.S. stocks in August but wasn't enough to reach positive territory. Persistent inflation, high interest rates, Fed policy uncertainty and soaring Treasury yields were among the key market factors in August.
- The S&P 500 Index snapped a five-month winning streak, returning -1.59% in August and 18.73% year to date. The energy sector was the only index component to advance for the month.
- Monthly stock declines were steeper outside the U.S. Amid global growth concerns and rising bond yields, non-U.S. developed markets fell but outperformed emerging markets, which sharply declined.
- The Commerce Department reported second-quarter U.S. GDP wasn't quite as strong as it initially announced. Rather than growing at a 2.4% annualized pace, officials said the economy expanded 2.1%, nearly matching the first quarter's rate.
- Annualized U.S. headline inflation increased slightly, while core inflation slowed slightly. Inflation held steady in Europe and declined in the U.K. but remained well above targets. This prompted the Bank of England to hike rates to a 15-year high.
- While stock declines were widespread, U.S. large-cap stocks fared better than small-cap stocks. Outside the U.S., small-caps outperformed large-caps. Growth and value trends varied.
- U.S. Treasury yields climbed to their highest levels since the financial crisis, and the broad bond market declined for August.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	-1.59	8.28	18.73	15.94	10.52	11.12	12.80
U.S. Small-Cap Equity							
Russell 2000	-5.00	9.00	8.96	4.65	8.12	3.14	7.96
Intl. Developed Markets Equity							
MSCI World ex USA	-3.87	3.96	10.45	16.45	6.28	4.31	4.91
Emerging Markets Equity							
MSCI Emerging Markets	-6.16	3.47	4.55	1.25	-1.39	0.98	2.99
Global Real Estate Equity							
S&P Global REIT	-3.13	3.24	2.22	-4.66	3.40	0.90	4.35
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.64	-1.06	1.37	-1.19	-4.41	0.49	1.48
Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.37	-0.69	0.74	-0.09	-6.12	-1.21	0.06
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.46	1.33	3.25	4.38	1.61	1.65	1.05

Data as of 8/31/2023. 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
Size	Large	0.72	2.44	5.88	32.17
	Small	2.37	-0.77	4.94	12.68

		Non-U.S. Developed Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	0.81	-3.19	10.37	10.80
	Small	2.15	-0.09	7.56	5.63

		Emerging Markets			
		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth
Size	Large	0.05	-1.24	6.72	1.53
	Small	5.09	5.09	13.99	18.31

- U.S. stocks broadly declined for the month but maintained solid year-to-date gains.
- Large-cap stocks fared better than their small-cap peers in August. Year to date, large-caps gained nearly 19%, more than double small-cap returns.
- Growth outperformed value among large-caps but underperformed in the small-cap space. Year to date, growth stocks maintained a significant performance advantage, notably among large-caps, where growth stocks gained 32% versus 6% for value.

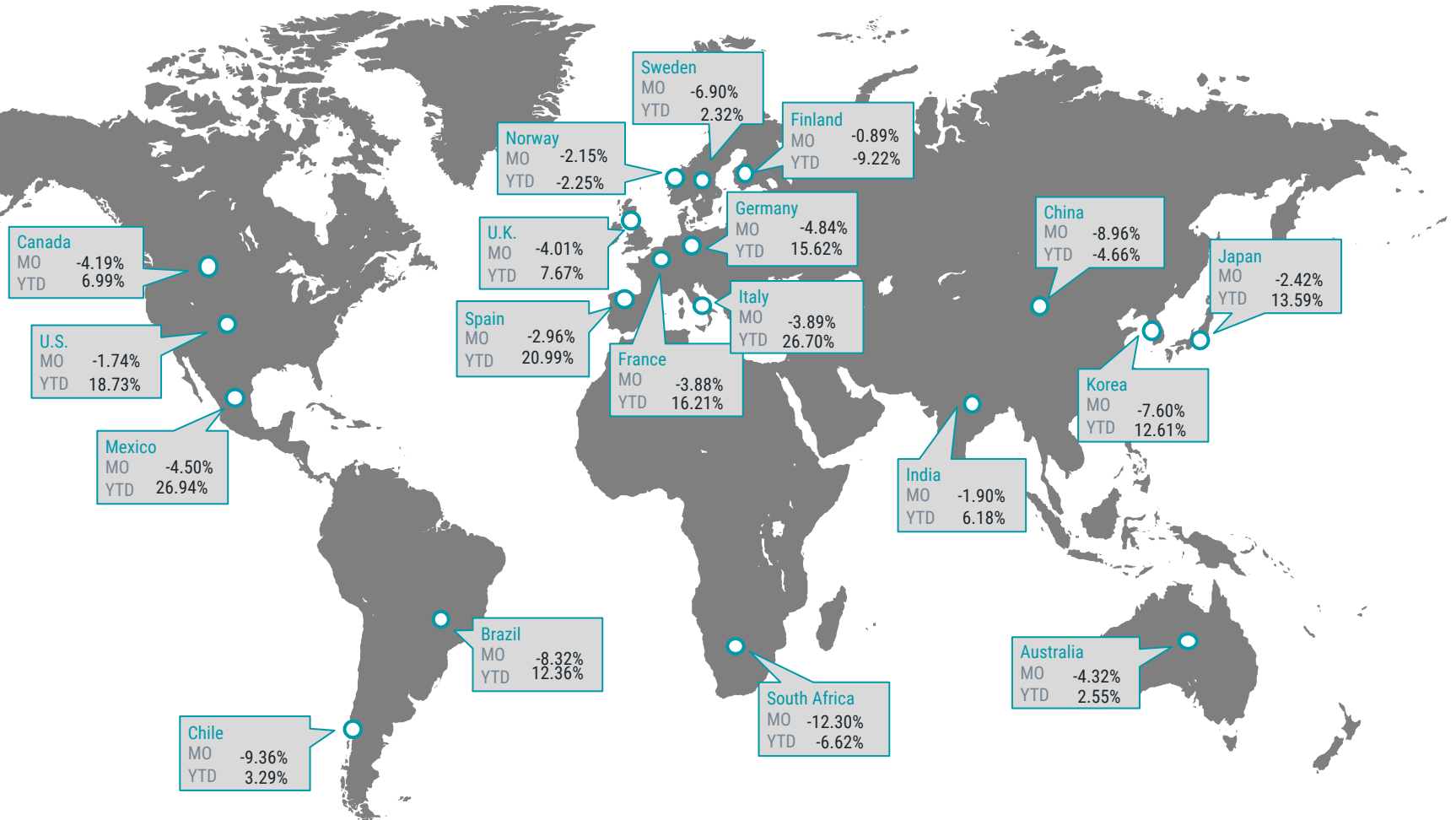
- International developed markets stocks declined nearly 4% for the month but advanced more than 10% year to date.
- Small-cap stocks declined but fared slightly better than large-caps for the month. Year to date, small-caps advanced but underperformed their large-cap peers by approximately 4 percentage points.
- Large- and small-cap value stocks outperformed their growth stock peers in August. Year to date, the growth style was the leader among large-caps but lagged in the small-cap category.

- The broad emerging markets stock index dropped nearly 6% in August and underperformed developed markets. Year to date, emerging markets maintained positive performance.
- Small-cap stocks fared much better than large-caps in August. Year to date, small-caps gained 16% compared with 4% for large-caps.
- In August, value stocks modestly outpaced growth stocks among large-caps and slightly lagged among small-caps. Year to date, those same trends persisted to a greater degree.

Data as of 8/31/2023. 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

Despite a late-month retreat, Treasury yields rose overall in August, contributing to another monthly decline for the broad U.S. bond index. Bonds maintained a modest year-to-date gain.

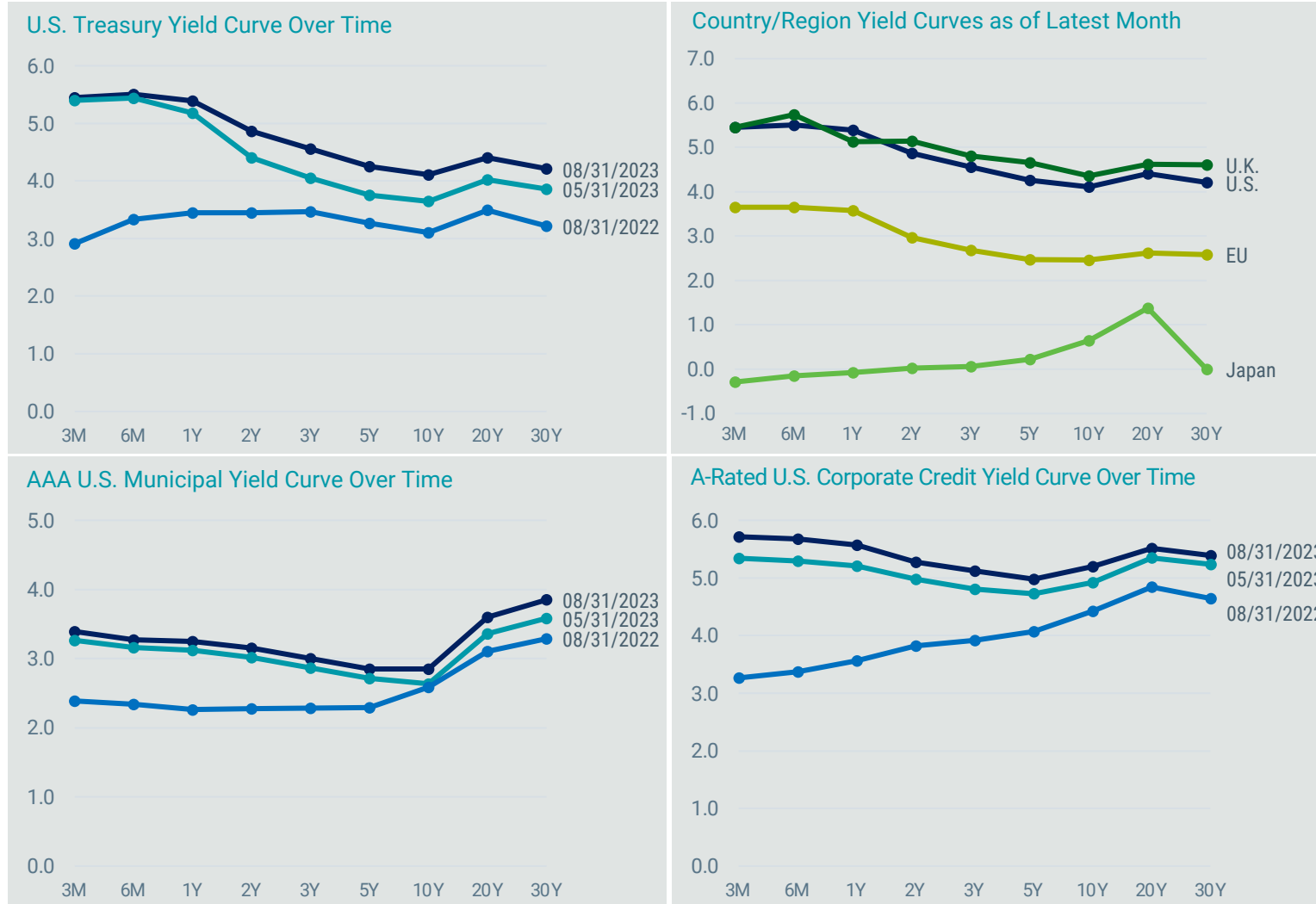
- The Bloomberg U.S. Aggregate Bond Index returned -0.64% in August, as all index sectors retreated for the month. Amid a surge in Treasury issuance, Treasury yields soared to multiyear highs by mid-month before falling in late August. Overall, the 10-year yield ended August at 4.11%, 15 bps higher than the end of July. The two-year Treasury yield rose 1 bp to 4.87%.
- Corporate and mortgage-backed bonds underperformed Treasuries and the broad bond index. Meanwhile, high-yield corporates were up fractionally.
- At the annual Jackson Hole Economic Policy Symposium, Fed Chair Jerome Powell reiterated the central bank's inflation-fighting resolve and left all options open regarding interest rates. Looking to the Fed's September policy meeting, the futures market priced in a high probability of the Fed holding rates steady. After that, though, policy expectations remained mixed.
- Despite a sharp drop in year-over-year energy prices, headline CPI inched higher in July, to 3.2% from 3%. Core inflation eased to 4.7% from 4.8% in June. The shelter component continued to account for more than two-thirds of core CPI's gain, rising 7.7% year over year.
- Municipal bonds (munis) struggled in August, underperforming Treasuries with a -1.44% monthly return. However, munis continued to outperform Treasuries year to date.
- Inflation breakeven rates dropped in August, and TIPS underperformed nominal Treasuries.

Returns (%)

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Global Fixed Income							
Bloomberg Global Aggregate Bond	-1.37	-0.69	0.74	-0.09	-6.12	-1.21	0.06
U.S. Fixed Income							
Bloomberg U.S. Aggregate	-0.64	-1.06	1.37	-1.19	-4.41	0.49	1.48
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	0.28	3.36	7.13	7.16	1.81	3.32	4.47
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-0.78	-0.02	2.76	0.90	-4.17	1.41	2.58
Municipals							
Bloomberg Municipal Bond	-1.44	-0.06	1.59	1.70	-1.32	1.52	2.81
U.S. TIPS							
Bloomberg U.S. TIPS	-0.89	-1.10	1.09	-3.68	-1.49	2.28	2.08
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-0.52	-1.61	0.70	-2.07	-5.08	0.19	0.93
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.46	1.33	3.25	4.38	1.61	1.65	1.05

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Global Yield Curves



Data as at 8/31/2023 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).