

Market Review

Snapshot

Global stocks and bonds ended September with monthly and quarterly losses amid a volatile backdrop. Familiar challenges – persistent inflation, hawkish central banks, rising interest rates, weak economic data and geopolitical tensions – continued to pressure financial markets.

- The third quarter began on an optimistic note, with the S&P 500 Index rallying more than 9% in July amid hopes for a Fed policy pivot. But that sentiment faded, as the Fed reiterated its intentions to aggressively hike rates until inflation retreats.
- Stocks declined more than 4% in August, more than 9% in September and nearly 5% for the quarter. Year to date, the S&P 500 lost 24%, finishing in bear market territory for the second consecutive quarter.
- All sectors of the S&P 500 Index declined in September. Consumer discretionary and energy were the only sectors posting gains for the third quarter.
- U.S. stocks (S&P 500) and other developed markets posted similar losses in September. However, U.S. stocks fared better on a quarterly basis. Emerging markets stocks underperformed developed markets for both time periods.
- U.S. inflation eased slightly in August, while core inflation rose. This backdrop prompted the Fed to hike rates 75 bps in July and again in September. Central banks in Europe and the U.K. also raised rates amid soaring inflation. In late September, the Bank of England launched a temporary bond-buying program in an effort to rescue U.K. bonds and the pound.
- U.S. Treasury yields continued to climb, leading to widespread monthly and quarterly losses for bonds.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	-9.21	-4.88	-23.87	-15.47	8.15	9.23	11.70
U.S. Small-Cap Equity							
Russell 2000	-9.58	-2.19	-25.10	-23.50	4.28	3.55	8.55
Intl. Developed Markets Equity							
MSCI World ex USA	-9.26	-9.20	-26.23	-23.91	-1.21	-0.39	3.62
Emerging Markets Equity							
MSCI Emerging Markets	-11.72	-11.57	-27.16	-28.11	-2.06	-1.81	1.05
Global Real Estate Equity							
S&P Global REIT	-12.73	-11.12	-29.23	-20.49	-5.19	0.17	3.58
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-4.32	-4.75	-14.61	-14.60	-3.25	-0.27	0.89
Global Fixed Income							
Bloomberg Global Aggregate Bond	-5.14	-6.94	-19.89	-20.43	-5.73	-2.32	-0.93
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.20	0.47	0.63	0.64	0.55	1.10	0.64

Data as of 9/30/2022. 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		-5.62%	-3.60%	-17.75%	-30.66%
	Small	-4.61%	0.24%	-21.12%	-29.28%

		Non-U.S. Developed Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		-10.11%	-7.83%	-18.80%	-31.49%
	Small	-10.09%	-8.80%	-26.36%	-35.75%

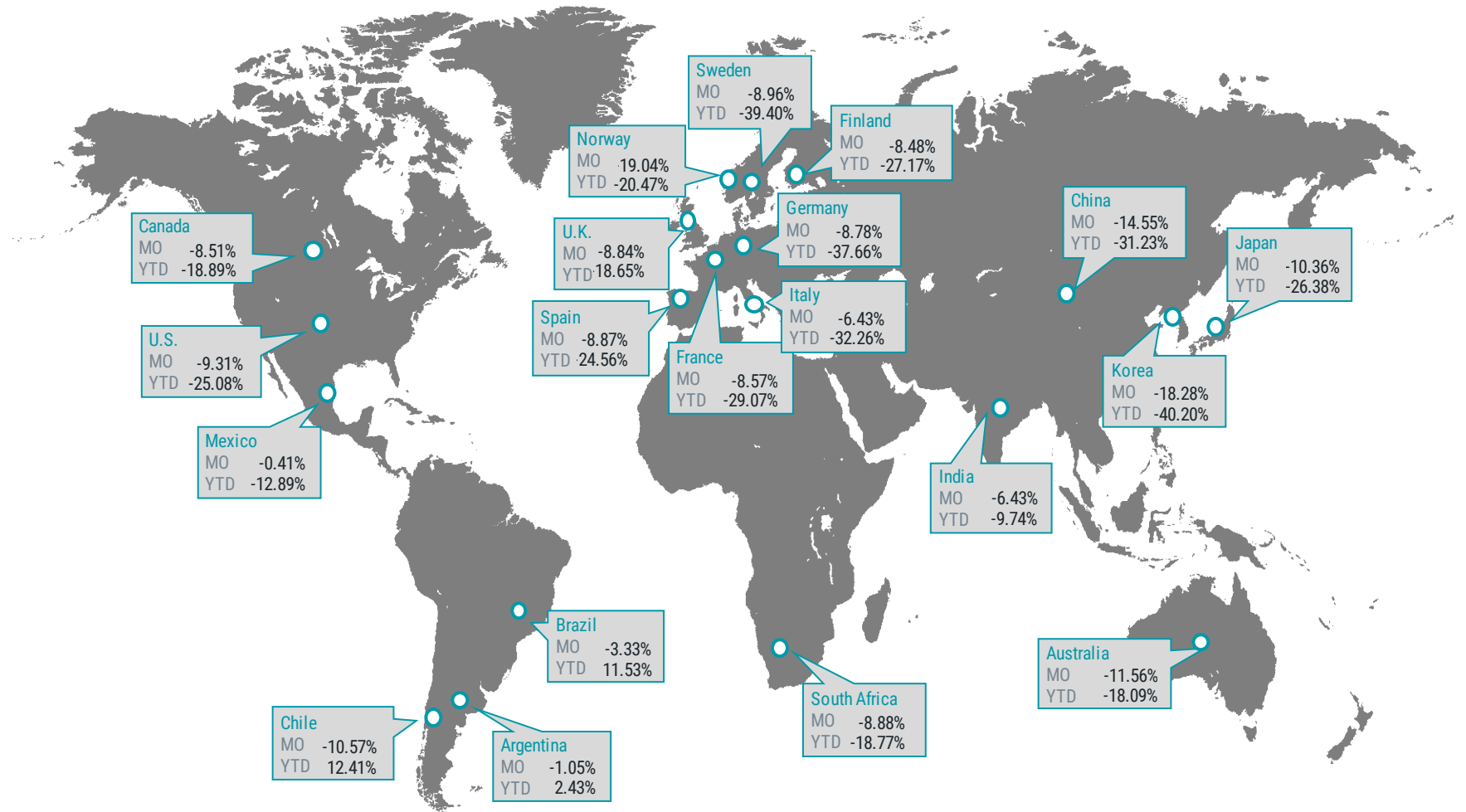
		Emerging Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		-11.33%	-12.50%	-23.43%	-31.07%
	Small	-4.89%	-5.62%	-20.15%	-28.13%

- All major size and style categories declined for the third quarter and posted much steeper losses for the year-to-date period.
- Small-cap stocks fared better than large-cap stocks in the quarter. Year to date, the broad large- and small-cap indices each were down 25%.
- Style performance broadly favored growth stocks over value stocks for the quarter, and small-cap growth stocks delivered a fractional gain. Year to date, style losses were severe, more significantly among growth stocks.
- International developed markets stocks declined sharply for the third quarter and the year-to-date period.
- Large-cap stocks fared slightly better than small-cap stocks in the quarter. Year to date, declines were widespread, with small caps falling more than large caps.
- Growth stocks generally fared better than value stocks in the third quarter. For the year-to-date period, growth stocks declined at a notably larger pace than value stocks.
- The broad emerging markets stock index declined and underperformed developed markets indices for the quarter and the year-to-date period.
- Small-cap stocks fared better than large-cap stocks for the third quarter and year to date.
- From a style perspective, losses among growth stocks outpaced value stock losses for the quarter and the last nine months. The disparity was more significant for the year-to-date period.

Data as of 9/30/2022. 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,

Equity Returns | Country



Data as of 9/30/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

U.S. Treasury yields climbed to multiyear highs amid persistently high inflation and aggressive Fed tightening. U.S. bonds posted negative returns for September and the third quarter, led by corporate bonds and mortgage-backed securities.

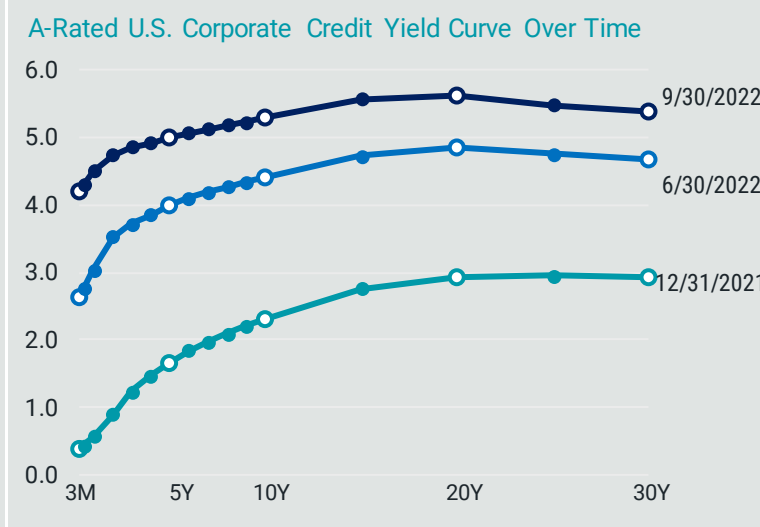
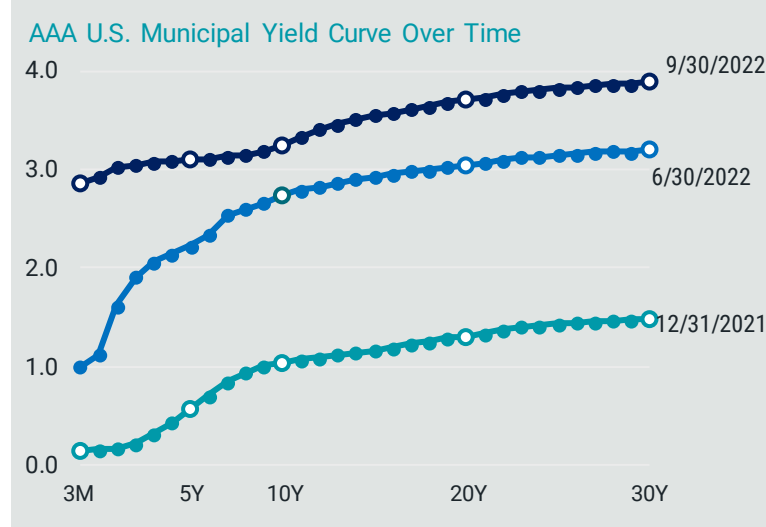
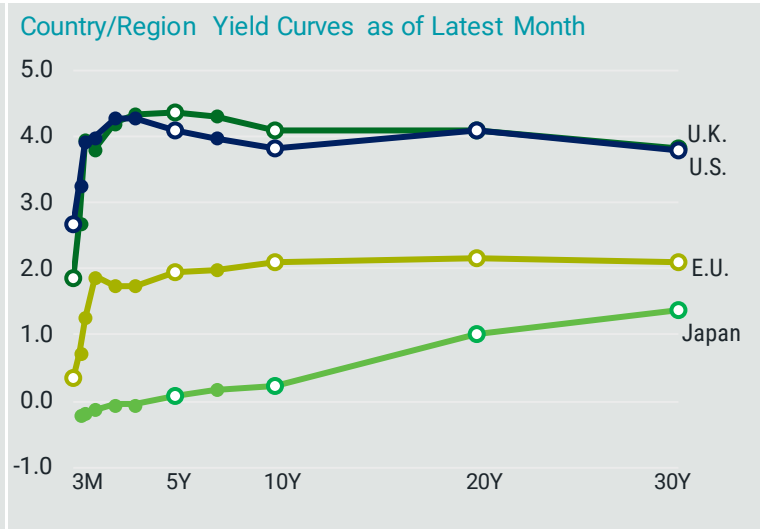
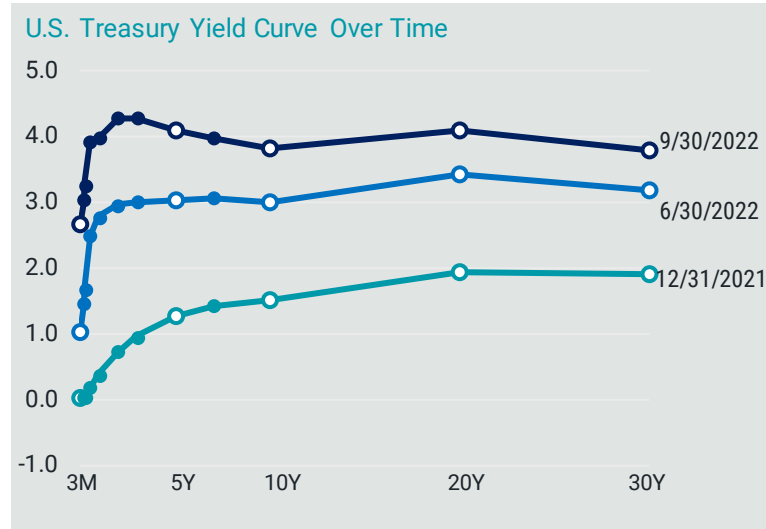
- The Bloomberg U.S. Aggregate Bond Index declined 4.3% in September, and the index declined 4.8% for the third quarter.
- Volatility reigned, and in late September, the yield on the 10-year U.S. Treasury note topped 4% for the first time in more than 10 years. The yield ended the month at 3.83%, 82 bps higher than June 30. The two-year Treasury yield rose 132 bps to 4.28%, leaving the yield curve with an inverted slope.
- Easing energy costs led to a modest decline in annual headline inflation from 8.5% in July to 8.3% in August. Meanwhile, annual food costs rose 11.4%, the largest increase since 1979, and shelter costs jumped 6.2%, the biggest gain since 1984.
- The Fed maintained its aggressive tightening campaign, raising rates 75 bps in July and again in September. At quarter end, fed futures contracts anticipated another 75-bps increase in November and a 50-bps hike in December.
- Municipal bond (muni) yields also rose, and munis lagged Treasuries in September. However, for the quarter, Treasury yields rose more than muni yields, and munis fared better than Treasuries and the Bloomberg U.S. Aggregate Bond Index.
- Inflation breakeven rates eased in the quarter as growth expectations softened. TIPS were among the worst-performing fixed-income sectors for the three-month period.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	-5.14	-6.94	-19.89	-20.43	-5.73	-2.32	-0.93
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-4.32	-4.75	-14.61	-14.60	-3.25	-0.27	0.89
U.S. High Yield Corporate							
Bloomberg U.S. Corporate High-Yield Bond	-3.97	-0.65	-14.74	-14.14	-0.45	1.57	3.94
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-5.26	-5.06	-18.72	-18.53	-3.65	-0.03	1.70
Municipals							
Bloomberg Municipal Bond	-3.84	-3.46	-12.13	-11.50	-1.85	0.59	1.79
U.S. TIPS							
Bloomberg U.S. Treasury - U.S. TIPS	-6.62	-5.14	-13.61	-11.57	0.79	1.95	0.98
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-3.45	-4.35	-13.09	-12.94	-3.11	-0.23	0.50
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.20	0.47	0.63	0.64	0.55	1.10	0.64

Data as of 9/30/2022. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Global Yield Curves



Data as of 9/30/2022

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).