

Market Review

Snapshot

After plunging in September, global stocks rebounded in October. Expectations for a pending slowdown in the pace of monetary tightening contributed to the rally. Meanwhile, yields continued to climb, and bonds delivered another monthly loss.

- Despite still-high inflation, rising interest rates and mixed earnings and economic data, the S&P 500 Index gained more than 8% in October. Recession concerns led to market speculation that the Fed may reevaluate monetary policy.
- All sectors of the S&P 500 Index advanced in October. The energy sector was the strongest, up nearly 25%, while communication services was the weakest, up 0.1%. The technology sector gained nearly 8%, even as several large, high-profile companies reported disappointing earnings.
- Following a first-half decline, the U.S. economy grew 2.6% in the third quarter, largely due to energy exports. However, the GDP report showed consumer and business spending weakened amid high inflation and rising interest rates.
- Hopes for a shift in central bank policy also contributed to gains for non-U.S. developed markets stocks, which rallied but underperformed U.S. stocks. Emerging markets stocks generally declined for the month, largely due to weakness in China's equity markets.
- With inflation at a record high, the European Central Bank hiked interest rates another 75 bps, bringing borrowing costs to their highest level since 2009.
- U.S. inflation eased slightly in September to 8.2%, but core inflation rose to 6.6%. Against this backdrop, U.S. Treasury yields continued to climb, and bond returns declined.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	8.10	-5.86	-17.70	-14.61	10.21	10.44	12.78
U.S. Small-Cap Equity							
Russell 2000	11.01	-1.68	-16.86	-18.54	7.04	5.56	9.93
Intl. Developed Markets Equity							
MSCI World ex USA	5.51	-8.73	-22.16	-22.04	-0.49	0.41	4.11
Emerging Markets Equity							
MSCI Emerging Markets	-3.10	-14.11	-29.42	-31.03	-4.41	-3.09	0.79
Global Real Estate Equity							
S&P Global REIT	4.07	-14.66	-26.35	-22.02	-4.65	1.18	3.90
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-1.30	-8.23	-15.72	-15.68	-3.77	-0.54	0.74
Global Fixed Income							
Bloomberg Global Aggregate Bond	-0.69	-9.51	-20.44	-20.79	-6.15	-2.38	-0.98
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.22	0.61	0.85	0.86	0.56	1.12	0.66

Data as of 10/31/2022. 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		10.25%	5.84%	-9.32%	-26.61%
	Small	12.59%	9.49%	-11.19%	-22.57%

		Non-U.S. Developed Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		6.70%	4.59%	-13.36%	-28.35%
	Small	5.09%	3.85%	-22.62%	-33.28%

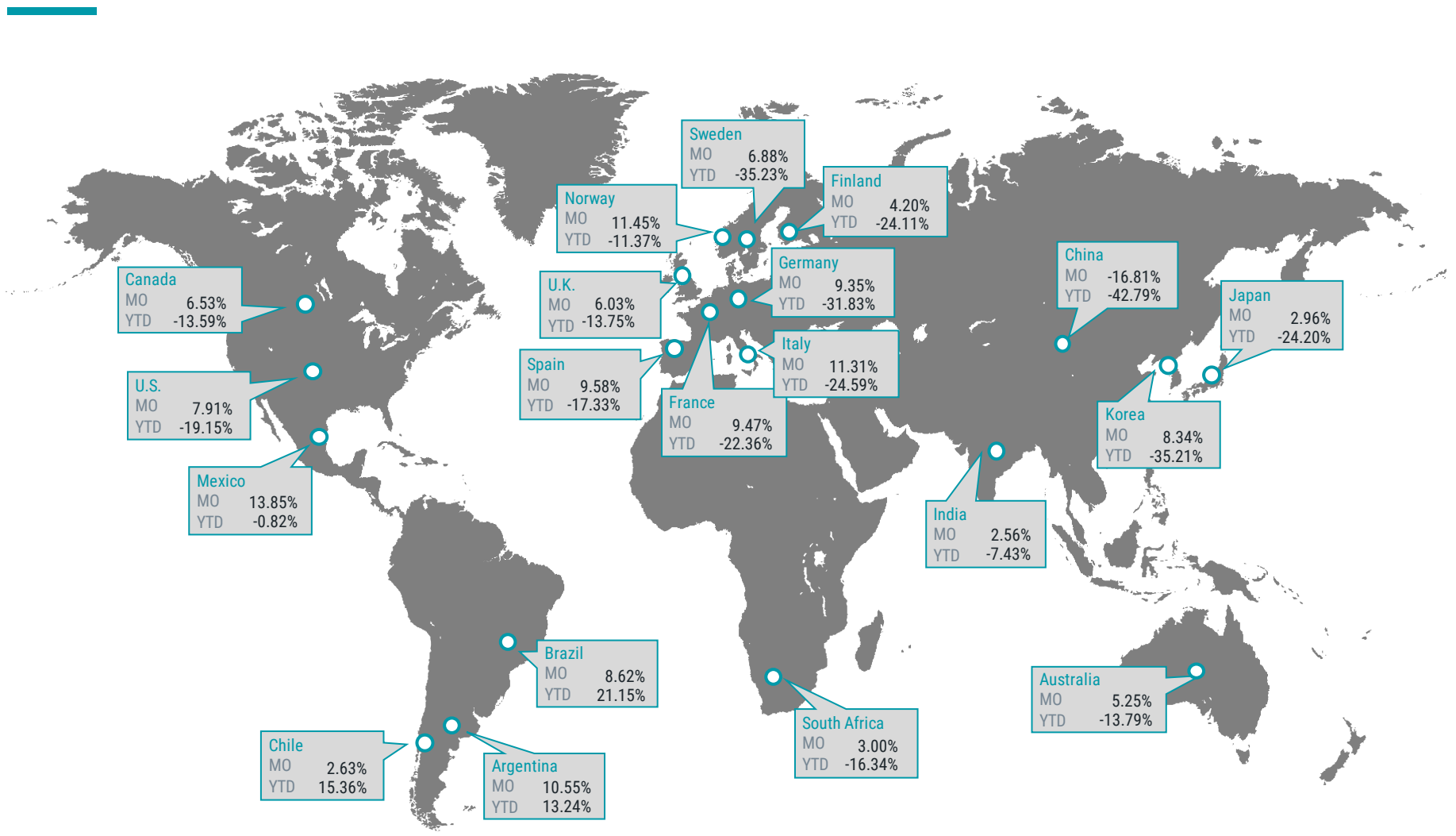
		Emerging Markets			
		QTD		YTD	
		Value	Growth	Value	Growth
Large		-2.34%	-5.61%	-25.22%	-34.94%
	Small	0.77%	-0.93%	-19.54%	-28.79%

- All major size and style categories delivered gains in October but maintained steep year-to-date losses.
- Small-cap stocks outperformed large caps for the month. Although small-cap stocks posted double-digit declines for the year-to-date period, they fared better than large-cap stocks.
- Value stocks rallied sharply and outperformed growth stocks across the board in October. Value stocks declined year to date but retained an edge versus growth stocks across capitalizations.
- International developed markets stocks rebounded in October but remained sharply lower for the year-to-date period.
- Large-cap stocks outperformed small caps for the month. Year to date, losses were widespread and steep, but large caps fared better than small caps.
- Value stocks advanced and outperformed growth stocks across capitalizations in October. Although they declined, value stocks fared much better than growth stocks for the year-to-date period.
- The broad emerging markets stock index declined in October and for the year-to-date period.
- Small-cap stocks declined only slightly in October and sharply outperformed large caps. Year to date, losses were widespread, but small caps fared better than large caps.
- Value stocks outperformed growth stocks across capitalizations in October. Year to date, losses among growth stocks were larger than they were for value stocks across the capitalization spectrum.

Data as of 10/31/2022. 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, respectively.

Equity Returns | Country



Data as of 10/31/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

Elevated inflation and expectations for the Fed to continue raising rates through year end pushed Treasury yields higher in October. Most bonds posted declines for the month.

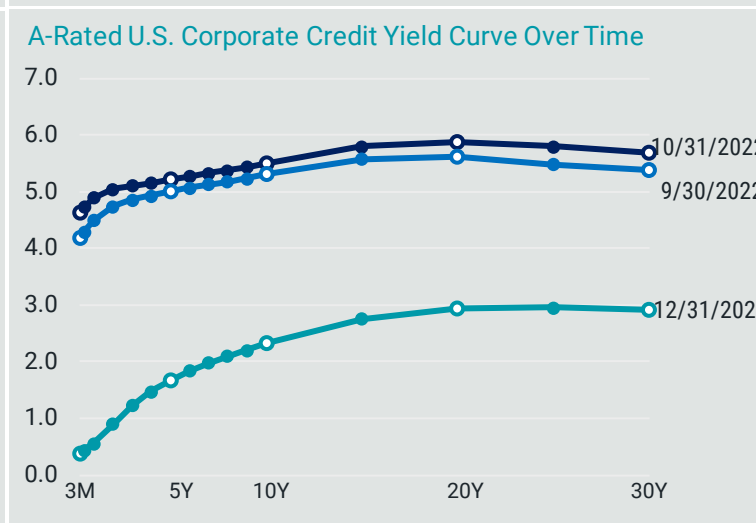
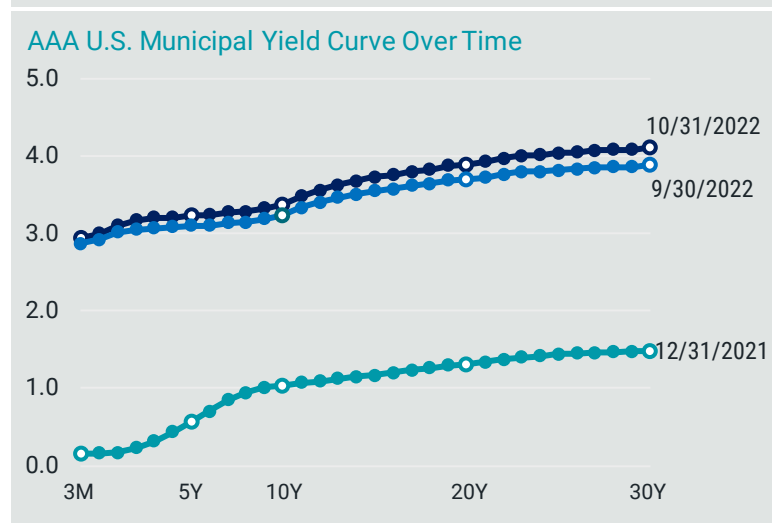
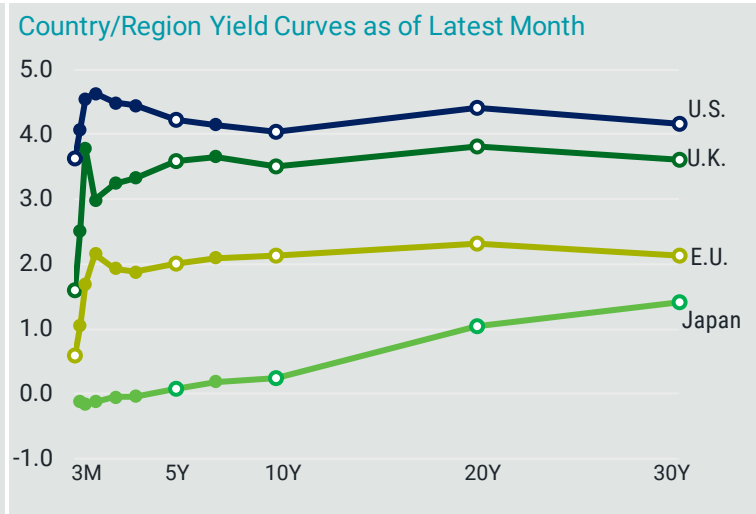
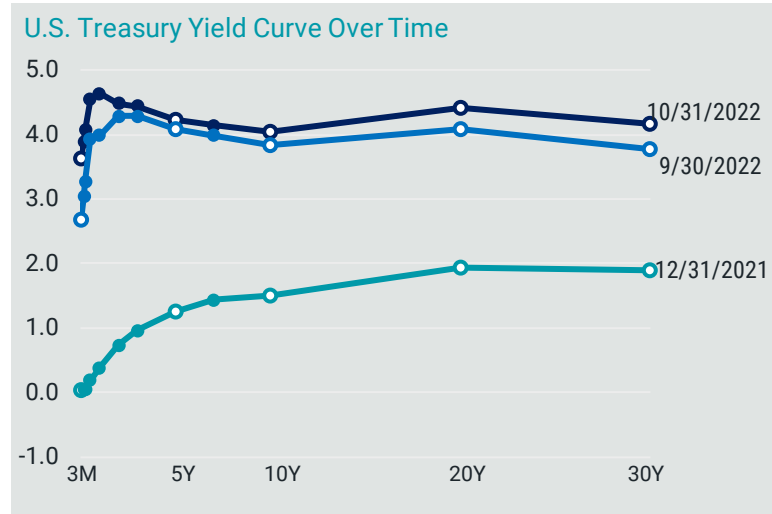
- The Bloomberg U.S. Aggregate Bond Index declined 1.3% in October, as all index sectors posted losses.
- Soaring mortgage interest rates and lack of demand continued to weigh on the MBS sector, which underperformed Treasuries and investment-grade corporates. Meanwhile, high-yield corporates tracked the U.S. stock market and rallied for the month.
- Municipal bonds declined modestly for the month, but they fared better than Treasuries and taxable investment-grade bonds.
- Five- and 10-year inflation breakeven rates rose in October, and TIPS rallied. TIPS outperformed nominal Treasuries, which declined and underperformed the broad bond index.
- Inflation and rate-hike expectations continued to push Treasury yields higher. The 10-year Treasury yield jumped 22 bps to 4.05%, while the two-year Treasury yield rose 21 bps to 4.49%. Accordingly, the yield curve remained inverted.
- Headline inflation eased slightly to 8.2% (year over year) in September, while core inflation jumped to 6.6%. Rising prices for services (shelter, transportation, medical care) and new and used vehicles largely drove core inflation higher.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
Global Fixed Income							
Bloomberg Global Aggregate Bond	-0.69	-9.51	-20.44	-20.79	-6.15	-2.38	-0.98
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-1.30	-8.23	-15.72	-15.68	-3.77	-0.54	0.74
U.S. High Yield Corporate							
Bloomberg U.S. Corporate High-Yield Bond	2.60	-3.75	-12.53	-11.76	0.31	2.01	4.11
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-1.03	-8.98	-19.56	-19.57	-4.18	-0.32	1.46
Municipals							
Bloomberg Municipal Bond	-0.83	-6.73	-12.86	-11.98	-2.18	0.37	1.68
U.S. TIPS							
Bloomberg U.S. Treasury - U.S. TIPS	1.24	-7.97	-12.54	-11.47	1.12	2.16	1.02
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-1.39	-7.16	-14.30	-14.09	-3.58	-0.48	0.38
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.22	0.61	0.85	0.86	0.56	1.12	0.66

Data as of 10/31/2022. 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 10/31/2022 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).