Semper Salutaris
Disciplined Financial Wellness

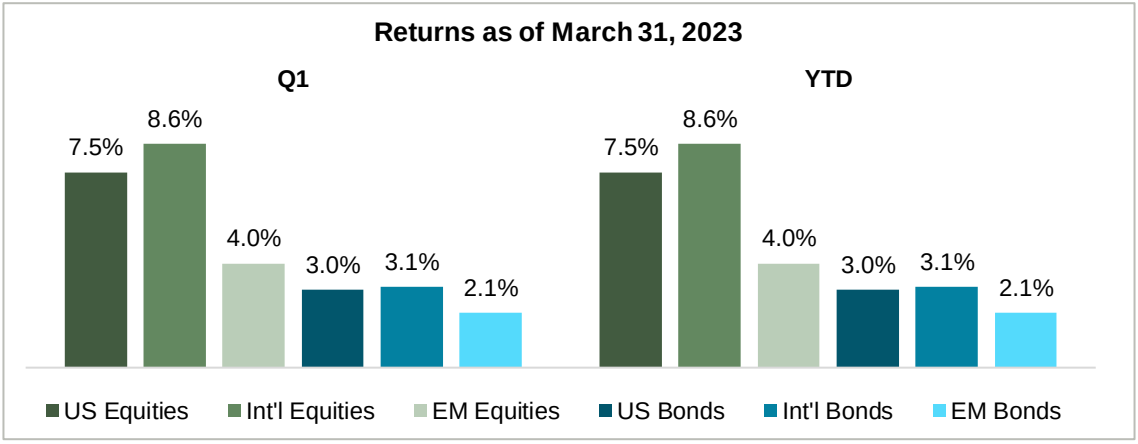
QUARTERLY

Market Review

April 2023

Market Review

Markets ended a volatile but positive first quarter, with gains in technology offsetting weakness in banks. The quarter also saw a reversal in many of 2022's underperformers**.**



Source: FactSet

Developed international equities (MSCI EAFE) across Europe and Japan rose 8.6% and outperformed the US and emerging markets. The outperformance came as investors were surprised by better-than-expected economic growth, corporate earnings, as well as cheaper relative valuations. US equities (S&P 500) rose 7.5% despite the banking turmoil, given its larger weight in technology stocks and lower weight in financial (bank) stocks. Finally, emerging markets (MSCI EM) also gained 4%, led by China's reopening.

US sector performance was uneven in the first quarter. Technology and its related sector enjoyed strong gains highlighting investors' willingness to look beyond near-term challenges. The expectation that the Fed would need to cut interest rates to curtail the banking crisis sent the technology sector up 21.8% for the quarter, while economically sensitive sectors such as energy and financials suffered losses amid the banking turmoil and recession fears. Financials, the worst-performing sector, fell 5.6% for the quarter.

Across size, bigger stocks did better and within style growth trounced value. Large caps (S&P 500) rose by 7.5% and outperformed small caps (S&P 600), which only rose by 2.7%. This divergent performance can be attributed to the fact that the small-cap index has larger regional bank stock exposure and a lower weight of technology stocks. Finally, across style, Nasdaq, a heavy growth and technology-oriented index, gained 17%, while Dow Jones 30, a value-oriented index often synonymous with dividend payers, was up merely 0.8%.

Bonds recovered in the first quarter after suffering their worst year in history in 2022. Bond yields, which move in inverse to bond prices, fell as markets anticipated the Fed to pause and or cut rates following the banking debacle. US fixed income gained 3% for the quarter. Longer-dated treasury bonds fared the best, up 6.2%, while short treasury gained 1.1%. Lower quality bonds, such as high yield, were also surprisingly resilient and gained 3.6%.

Finally, across other asset classes, commodities fell, gold gained, and REIT stabilized. Oil prices fell 18.7% over concerns about the banking system leading to a recession, taking broad commodities 5.4% lower for the quarter. Gold, viewed as the ultimate safe haven asset, gained 8.1%**.** Lastly, REITs edged up 1.7%, supported by a slight improvement in mortgage rates.

INDEX DEFINITIONS

Asset Class	Index	Definition
China	MSCI China	Measures the performance of large and mid-cap shares in China including: China H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). Index covers about 85% of the China equity universe.
Commodities	Bloomberg Commodity	Measures the performance of a broadly diversified exposure to physical commodities via futures contracts.
Dow	Dow Jones Industrial Average	The Dow Jones Industrial Average® (The Dow®), is a price-weighted measure of 30 USS blue-chip companies.
Emerging Markets Bonds	Bloomberg Emerging Markets USD Aggregate	Measures the performance of hard-currency emerging markets debt, including fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging markets debt.
Emerging Markets (EM) Equity	MSCI Emerging Markets	Measures the equity market performance of countries considered to represent emerging markets.
Gold	Bloomberg Sub Gold	Measures the performance of futures contract on gold and is quoted in USD.
International Bonds	Bloomberg Global Aggregate ex-USD	Measures the performance of investment-grade debt from 24 local currency markets. This multi-currency index includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. It excludes bonds issued in USD.
International Developed Equity	MSCI EAFE	Measures the equity performance of countries considered to represent developed markets, excluding the US and Canada.
Nasdaq	Nasdaq Composite	The Nasdaq Composite Index measures all Nasdaq domestic and international-based common-type stocks listed on The Nasdaq Stock Market.
Oil	WTI Crude Oil	Is represented by the near-month crude oil futures contract traded on the NYMEX.
Small Caps	S&P 600	Measures the performance of 600 small-sized companies in the USS Constituents that generally have a market cap between $400 million and $1.8 billion and meet criteria to ensure they are liquid and financially viable.
Sector - Energy	S&P 500 Sector Energy	Measures the performance of companies involved in the development and production of crude oil, and natural gas and provide drilling and other energy-related services.
Sector - Financials	S&P 500 Sector Financials	Measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance, and thrift companies.
Sector - Technology	S&P 500 Sector Technology	Measures the performance of companies involved in technology hardware, storage and peripherals, software, communications equipment, semiconductors and semiconductor equipment, internet software and services, IT services, electronic equipment, instruments, and components.
TIPS	Treasury Inflation-Protected Securities	Treasury Inflation-Protected Security (TIPS) is a Treasury bond that is indexed to an inflationary gauge to protect investors from the decline in the purchasing power of their money.
US Dollar	US Dollar Index	Measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the US's most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona, and Swiss franc.

US Bonds	Bloomberg US Aggregate	Measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors.
US Equity	S&P 500	Measures the performance of 500 leading companies in the US Constituents that generally have a market cap above $5 billion and represent approximately 80% of the investable market.
US Long Treasuries	Bloomberg US Treasury Long	Measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate, and have $250 or more of outstanding face value.
US Short Treasuries	Bloomberg US Treasury Short	Measures the performance of short-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of between one and three years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate, and have $250 or more of outstanding face value.
US REIT	FTSE NAREIT All Equity REITs	Measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors.
US Growth	S&P 500 Growth	Measures the performance of large-cap growth stocks in the US, which are identified by sales growth, price-to-earnings, and momentum. Constituents generally have a market cap above $5 billion.
US Value	S&P 500 Value	Measures the performance of value stocks in the US, which are identified by sales growth, price-to-earnings, and momentum. Constituents generally have a market cap above $5 billion.
US High Yield	Bloomberg Barclays US Corporate High Yield	Measures the performance of USD-denominated, non-investment-grade, fixed-rate taxable corporate bonds. "High-yield" securities have the middle rating from Moody's, Fitch or S&P of Ba1/BB+/BB+ or below.Index excludes emerging market debt.

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