Monthly Market Review

Multi-Asset Class | September 2022

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -4.08% in August.

► Within the S&P 500 Index, two of the 11 sectors posted positive returns. The Energy sector was the best performer of the month, returning 2.83%. Utilities was second best, posting a return of 0.51%. Information Technology was the worst performing sector, posting a return of -6.12%.

► Negative returns were seen across all market capitalizations, with small-caps (Russell 2000) returning -2.05%, while mid-caps (Russell Mid Cap Index) returned -3.13% and large-caps (Russell 1000 Index), performed the worst, returning -3.84%. Growth stocks outperformed in small-caps while value outperformed across the larger capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned -3.22%. Developed markets, represented by the MSCI EAFE Index, returned -4.75%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, saw small but positive returns of 0.42% in August.

► Within the ACWI ex-U.S. Index, only one of the 11 sectors posted positive returns. Energy was the only positively performing sector, with a return of 1.61%, and the second-best performer was Financials returning -1.94%. Healthcare was the worst performer, posting a return of -6.32%.

► Non-U.S. returns were varied, with EM Latin America performing the best, returning 2.72%, while Europe ex-UK, performed the worst, seeing losses of -6.42%.

Fixed Income

► August saw U.S. Treasury yields climb, led by shorter-term maturities after solid economic data bolstered the case for a more aggressive Federal Reserve interest-rate hike in September. The 10-year saw a 55 basis point (bps) increase in rates and the 30-year saw an increase of 28 bps, while the 2- and 5-year Treasury rates increased by 61 and 67 bps, respectively, leading to the broad treasury index returning -2.62% for the month.

► The Bloomberg Barclays U.S. Aggregate Index (Aggregate) lost -2.83% in August. Investment-grade (IG) credit as a whole also returned -2.83%, AAA-rated bonds returned -2.24%, AA-rated bonds returned -3.05%, A-rated bonds returned -2.93%, and BBB-rated bonds returned -2.97%. High-yield corporates saw a loss of -2.30% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs) represented by the FTSE NAREIT Index returned -5.97%. Performance was positive for only one of the nine real estate sectors. Self-Storage did the best, returning 1.67%. The worst performing sector of the month was Office, returning -10.94%.

► The active contract for West Texas Intermediate (WTI) crude fell to $89.55/barrel in August, down from $98.62/barrel at the end of July. Although it is still up $21.05/barrel year-over-year.

Items to Watch

► The U.S. may be experiencing a so-called "goldilocks scenario" for the labor market. Despite slowing economic growth, 315,000 jobs were added to non-farm payrolls in August, bringing the year-to-date total to 3.5 million jobs. The unemployment rate unexpectedly rose to a six-month high of 3.7%. However, there is a steady stream of people entering the workforce as evidenced by the fact that the worker participation rate jumped by three bps to 62.4% With an increase in unemployment, wages saw a less than expected month-on-month (MoM) growth of 0.3%, pointing to cooling pressure on inflation.

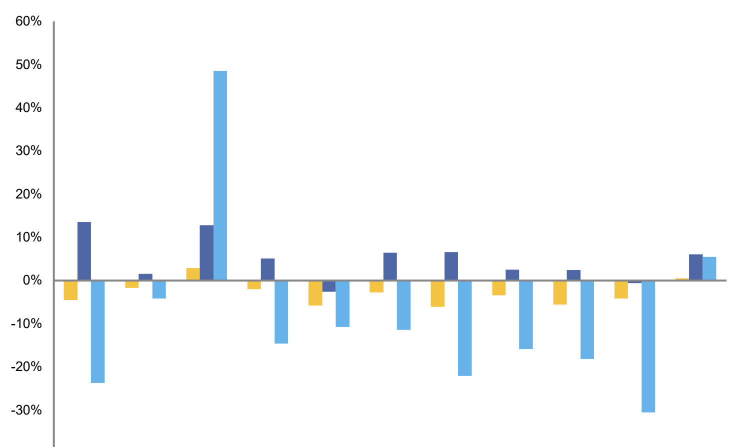
► U.S. consumer spending reflects a murkier outlook for the economy however, as Americans' spending posted a sluggish increase in July, even while they got some relief on prices with PCE falling 0.1% MoM. This decrease in spending indicates the economy is still feeling the pinch from the highest inflation in a generation. Purchases of goods and services, adjusted for changes in prices, increased 0.2% after being flat a month earlier. The median estimate was for a 0.4% increase. This, combined with June's $40.2 billion MoM increase in consumer credit, reflects Americans are spending more on the same goods.

► The U.S. is not alone in the continued struggle with inflation. Euro-area inflation accelerated to another all-time high at 9.1% in August, strengthening the case for the European Central Bank (ECB) to consider a jumbo interest-rate hike. Money markets have now priced in 125 bps of tightening from the ECB by October. Working contrary to these attempts to wrangle inflation is the ongoing Russian energy crisis, with the recent indefinite closure of the Nord Stream 1 pipeline. This prompted worry about the potential energy shortages, with Germany announcing a $64 billion relief package to help households and companies cope.

Total Return of Major Indices				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	-4.08%	4.77%	-16.15%	-11.25%
Russell 3000	-3.73%	5.30%	-16.92%	-13.30%
Russell 2000	-2.05%	8.18%	-17.18%	-17.92%
Russell 1000	-3.84%	5.12%	-16.91%	-12.98%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	-3.22%	0.10%	-18.34%	-19.52%
MSCI EAFE	-4.75%	0.00%	-19.57%	-19.80%
MSCI Emerging Markets	0.42%	0.17%	-17.49%	-21.80%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-2.83%	-0.45%	-10.75%	-11.52%
Bloomberg Barclays Global Agg	-3.95%	-1.90%	-15.55%	-17.61%
Bloomberg Barclays U.S. HY	-2.30%	3.46%	-11.22%	-10.60%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-5.97%	2.54%	-18.17%	-9.96%
Bloomberg Commodity	-0.15%	3.92%	22.66%	26.73%

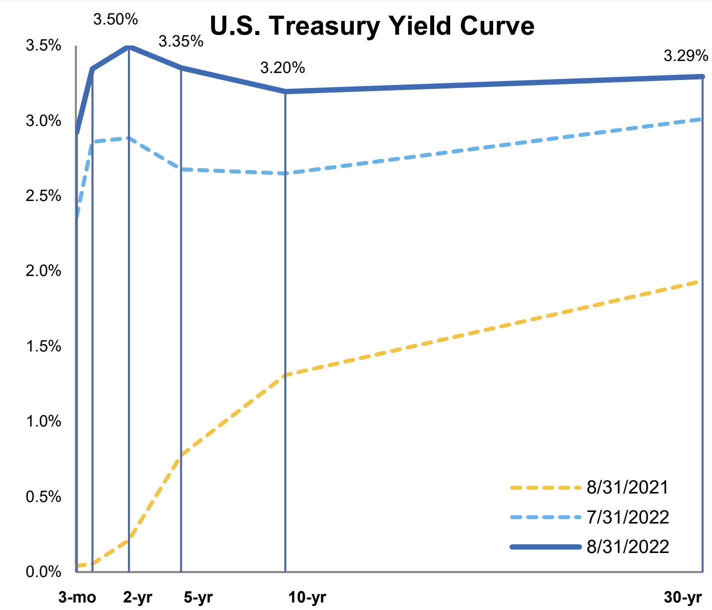
Economic Indicators		
Domestic	**Current**	**Previous Month**
Unemployment Rate (%)	3.7%	3.5%
Initial Jobless Claims (4 week average)	241.5 K	245.5 K
CB Leading Economic Indicators	-0.4	-0.7
Capacity Utilization	80.3%	79.9%
GDP (annual growth rate)	-0.6%	-1.6%
University of Michigan Consumer Confidence	58.2	51.5
New Home Starts	511 K	585 K
Existing Home Sales	4.8 MM	5.1 MM
Retail Sales (YoY)	12.3%	10.7%
U.S. Durable Goods (MoM)	0.0%	2.2%
Consumer Price Index (YoY)	8.5%	9.1%
Producer Price Index (MoM)	-1.9%	2.9%
Developed International*	**6/30/2022**	**3/31/2022**
Market GDP (annual rate)	4.2%	4.1%
Market Unemployment	5.4%	5.6%

Stock Market Sector Performance (S&P 500)

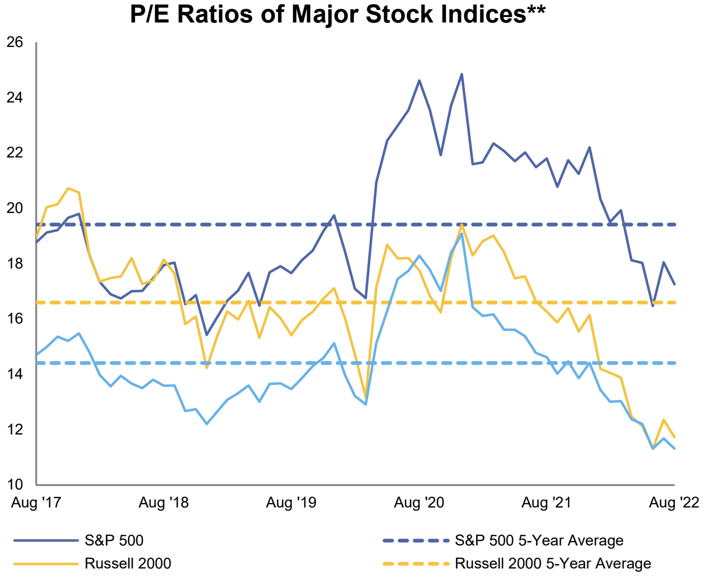


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-4.57%	-1.75%	2.83%	-2.01%	-5.78%	-2.81%	-6.12%	-3.47%	-5.61%	-4.19%	0.51%
QTD	13.51%	1.48%	12.82%	5.05%	-2.65%	6.43%	6.59%	2.45%	2.44%	-0.64%	6.04%
YTD	-23.75%	-4.18%	48.52%	-14.62%	-10.77%	-11.44%	-22.09%	-15.89%	-18.16%	-30.61%	5.45%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of August 31, 2022, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of June 30, 2022 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*

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