

Monthly Market Perspectives

February 2023

KEY INSIGHTS

- Stock and bond markets gave back some of January's gains as stronger than expected economic data shifted the narrative around central bank policy.
- Few asset classes were spared as stocks, bonds, and commodities all moved lower.
- Yields rose across the entire curve in anticipation of a higher Fed Funds terminal rate.

WHAT TO WATCH

- ISM Services release 3/3
- Unemployment data 3/10
- CPI data release 3/14
- Next FOMC rate announcement 3/22

ECONOMY

- On February 2nd, the Federal Open Market Committee (FOMC) raised interest rates a quarter point, and Chair Jerome Powell suggested that monetary policy may require more tightening given the strong jobs market and persistent wage growth.
- The European Central Bank increased rates by 0.5% on February 2nd, and inflation in the eurozone for the month of January came in at 8.6% YoY.
- The U.S. unemployment rate dropped in January to 3.4%, it's lowest level in over 50 years.
- U. Michigan Consumer sentiment rose to 66.4 in February, continuing the strong trend shown in January.
- Inflation, as measured by Consumer Price Index, remains elevated and rose 6.4% year over year in January. This reading was slightly higher than expected and only a fraction lower than December's reading at 6.5%

EQUITY MARKETS

- In February, the S&P 500 experienced a decline of 2.45%. Meanwhile, the Nasdaq declined 1%. Large, mid, and small-cap growth stocks all outperformed their value counterparts for the month.
- In the developed international markets the MSCI EAFE Index fell by 2.06%. Overall, it was a negative month for the global markets, with U.S. equities showing modest declines and non-U.S. developed markets experiencing similar losses. Emerging market equity was one of the worst performing equity asset classes, down 6.48% for the month.

FIXED INCOME

- In the bond markets, the short end of the yield curve saw rates rise, with the six-month Treasury increasing by 0.31% to yield 5.13%. The two-year Treasury also rose significantly by 0.59% to end at 4.79%. Meanwhile, on the long end of the yield curve, the 10-year U.S. Treasury rose to yield 3.94%.
- In terms of bond indices, the Bloomberg U.S. Aggregate Index declined by 2.33%, while the Bloomberg U.S. Corporate High Yield Index declined by 1.42%. These price declines reflect an adjustment of expectations for FOMC rate increases given stronger than expected economic data.
- Overall, the bond markets showed a significant increase in both short and long-term rates.

COMMODITIES / CURRENCIES / REAL ESTATE

- West Texas Intermediate (WTI) traded within a narrow range for the month, ending down 2.9% at \$76.86 a barrel.
- Gold prices fell in February, closing at \$1,827.59/oz., down 5.2% from the end of January.
- The U.S. dollar (USD) rose against a basket of currencies given better than expected economic strength and higher anticipated U.S. interest rates.
- The Euro fell to 1.06 vs the dollar, reversing January's rise.
- Domestic real estate finished the month lower, as the Wilshire U.S. Real Estate Securities Index fell 4.43% in February.



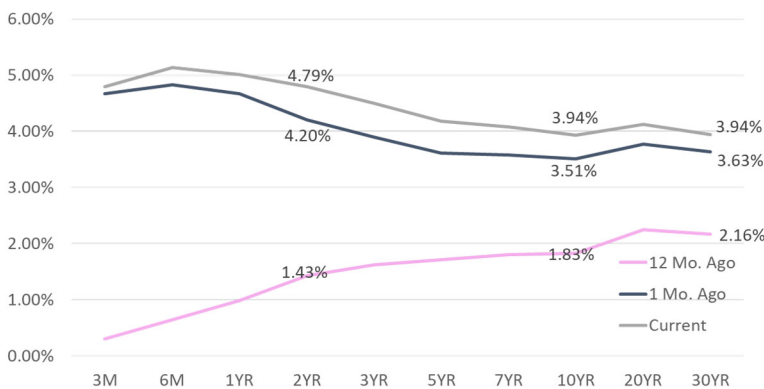
GLOBAL MARKET SUMMARY

Index	Level	1 Mos.	3 Mos.	12 Mos.
S&P 500	3,970	-2.45%	-2.30%	-7.72%
Dow Jones Industrial Average	32,657	-3.94%	-5.18%	-1.59%
NASDAQ Composite	11,456	-1.00%	0.12%	-15.93%
MSCI Emerging Markets	964	-6.48%	-0.46%	-14.97%
MSCI EAFE	2,054	-2.06%	6.00%	-2.55%
MSCI All Country World	629	-2.83%	0.10%	-7.79%

U.S. TREASURY MARKET

Maturity	12 Mo. Ago	1 Mo. Ago	Current	Change 1 Month
1-Month	0.06%	4.52%	4.58%	0.06%
3-Month	0.31%	4.67%	4.79%	0.13%
6-Month	0.64%	4.83%	5.13%	0.31%
1-Year	0.99%	4.67%	5.01%	0.34%
2-Year	1.43%	4.20%	4.79%	0.59%
3-Year	1.63%	3.90%	4.51%	0.60%
5-Year	1.72%	3.62%	4.18%	0.56%
7-Year	1.81%	3.57%	4.08%	0.51%
10-Year	1.83%	3.51%	3.94%	0.43%
20-Year	2.25%	3.77%	4.12%	0.35%
30-Year	2.16%	3.63%	3.94%	0.31%

U.S. TREASURY YIELD CURVE



U.S. EQUITY SIZE & STYLE RETURNS

1 Month			12 Months		
Value	Core	Growth	Value	Core	Growth
-2.99%	-2.45%	-1.94%	1.43%	-7.72%	-16.45%
-2.81%	-1.82%	-0.84%	3.53%	-0.68%	-4.92%
-1.67%	-1.24%	-0.82%	-0.05%	-3.57%	-7.06%

S&P 500 Index Sector Returns

Index	1 Mos.	3 Mos.	12 Mos.
Consumer Discretionary	0.45%	0.61%	-10.96%
Consumer Staples	-4.61%	-8.18%	-0.55%
Energy	-2.30%	-1.09%	-5.40%
Financials	-2.16%	-0.14%	-18.28%
Health Care	-0.89%	-0.29%	2.84%
Industrials	-4.66%	0.61%	-24.78%
Information Technology	-2.40%	-5.99%	-1.12%
Materials	-7.12%	-7.37%	23.81%
Real Estate	-5.90%	-8.26%	-1.34%
Communication Services	-5.99%	-1.67%	-12.28%
Utilities	-3.30%	-0.48%	0.49%

U.S. FIXED INCOME

Index	Level	1 Mos.	3 Mos.	1 Year
Bloomberg U.S. Treasury Bills:				
1-3 Months	267	-0.77%	0.13%	-2.78%
Bloomberg U.S. Aggregate	2,057	-2.59%	-0.04%	-9.72%
Bloomberg Treasury	2,191	-2.34%	-0.41%	-10.08%
Bloomberg U.S. TIPS	330	-1.37%	-0.59%	-10.40%
Bloomberg U.S. Credit	2,989	-3.18%	0.26%	-10.43%
Bloomberg Corporate High Yield	2,240	-1.29%	1.83%	-5.46%

OTHER

	2/28/2023	9/28/2022	2/28/2022
Fed Funds Target	4.75	3.25	0.25
30-Year Fixed Mortgage	7.03	6.82	4.3
WTI Oil (\$/barrel)	77.05	77.05	79.05
Gold (\$/oz)	1826.92	1659.97	1908.99
Natural Gas (\$/mmBtu)	2.75	6.87	4.40
Euro (\$/€)	1.06	0.97	1.12

