Monthly Market Review

Multi-Asset Class | October 2022

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -9.22% in September.

► Within the S&P, all of the 11 sectors posted negative returns. The Healthcare sector was the best performer of the month, returning -2.60%. Financials was second best, posting a return of -7.76%. Real Estate was the worst-performing sector posting a return of -13.15%.

► Negative returns were seen across all market capitalizations, with small-caps (Russell 2000) returning -9.57%, while mid-caps (Russell Mid Cap Index) returned -9.27% and large-caps (Russell 1000 Index) performed the best, returning -9.26%. Value stocks outperformed in large-caps, while growth stocks outperformed across the smaller capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned -10.00%. Developed markets, represented by the MSCI EAFE Index, returned -9.35%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, saw the largest losses with returns of -11.72% in September.

► Within the ACWI ex-U.S. Index, all of the 11 sectors posted negative returns. Consumer Staples was the best-performing sector, with a return of -6.81%. The second-best performer was Materials returning -7.48%. Information Technology was the worst performer, posting a return of -13.89%.

► Non-U.S. returns were negative across the board, with EM Latin America performing the best, returning -3.26%, while EM Asia performed the worst, seeing losses of -13.23%.

Fixed Income

► September saw U.S. Treasury yields continuing to climb, with their biggest multi-quarter rise in at least a quarter-century. The 10-year saw a 63 basis point (bps) increase in rates and the 30-year saw an increase of 49 bps, while the 2- and 5-year rates increased by 78 and 74 bps, respectively, leading to the broad treasury index returning -3.8% for the month.

► The Bloomberg Barclays U.S. Aggregate Index (Aggregate) lost -4.32% in September. Investment-grade (IG) credit as a whole also returned –5.07%, AAA-rated bonds returned -2.97%, AA-rated bonds returned -5.17%, A-rated bonds returned -5.19%, and BBB-rated bonds returned -5.29%. High yield corporates saw a loss of -3.97% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs) represented by the FTSE NAREIT Index returned -12.18%. Performance was negative for all of the nine Real Estate sectors. Residential did the best, returning -7.94%. The worst-performing sector of the month was Diversified, returning -16.79%.

► The active contract for West Texas Intermediate (WTI) crude fell to $79.49/barrel, down from $89.55/barrel at the end of August. However, it is still up $4.46/barrel year-over-year.

Items to Watch

► While the U.S. and other major economies continue to raise rates in an attempt to control inflation while balancing the risk of recession domestically, concerns grow about the possibility of prompting a recession globally. The UN is calling for a reverse course on raising rates, stating that it is leading the world into a global recession and prolonged stagnation.

► At the same time, the strong dollar helps to drive down the price of imports in the U.S., causing the trade deficit to shrink for a fifth month in August. Many countries are seeing their currency weaken comparatively, driving up prices domestically and consequently forcing monetary tightening in response. Federal Reserve (Fed) Chair Jerome Powell stated, "We are very aware of what's going on in other economies around the world, and what that means for us, and vice versa," but did not indicate any plans of reversing the policy. Other major economies have also kept tightening, with the Reserve Bank of Australia approving another increase to the cash rate target by 25 bps.

► As the Fed works to control inflation, the consumer sentiment index increased to a five-month high in September, rising to 58.6 and showing improvement from June's 50 reading but still significantly below last September's 72.8. The low consumer sentiment across the income distribution has been consistent for the past six months, underscoring the shared concerns about inflation pressures.

► The continued energy disruptions and high prices that have added fuel to the fire of inflation show no signs of slowing. The relief some consumers feel after gas fell from a record high of $5.02 per gallon may be short-lived. Prices are expected to rise as the Organization of the Petroleum Exporting Countries (OPEC) and its allies agreed to slash output by two million barrels a day, a move likely to push up already-high global energy prices and help oil-exporting Russia pay for its war in Ukraine.

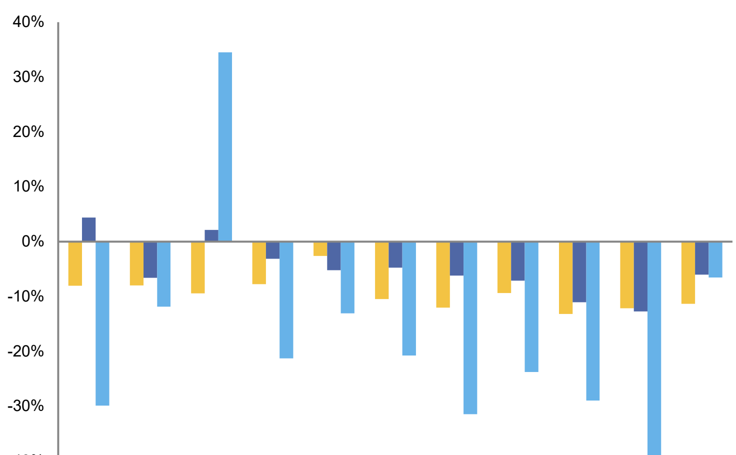
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-9.22%	-4.89%	-23.88%	-15.50%
Russell 3000	-9.28%	-4.47%	-24.63%	-17.65%
Russell 2000	-9.57%	-2.18%	-25.11%	-23.53%
Russell 1000	-9.26%	-4.62%	-24.60%	-17.23%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	-10.00%	-9.91%	-26.50%	-25.17%
MSCI EAFE	-9.35%	-9.36%	-27.09%	-25.13%
MSCI Emerging Markets	-11.72%	-11.57%	-27.16%	-28.11%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg Barclays U.S. Agg	-4.32%	-4.75%	-14.61%	-14.60%
Bloomberg Barclays Global Agg	-5.14%	-6.94%	-19.89%	-20.43%
Bloomberg Barclays U.S. HY	-3.97%	-0.65%	-14.74%	-14.14%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-12.18%	-9.94%	-28.13%	-16.41%
Bloomberg Commodity	-8.35%	-4.75%	12.42%	10.65%

Economic Indicators

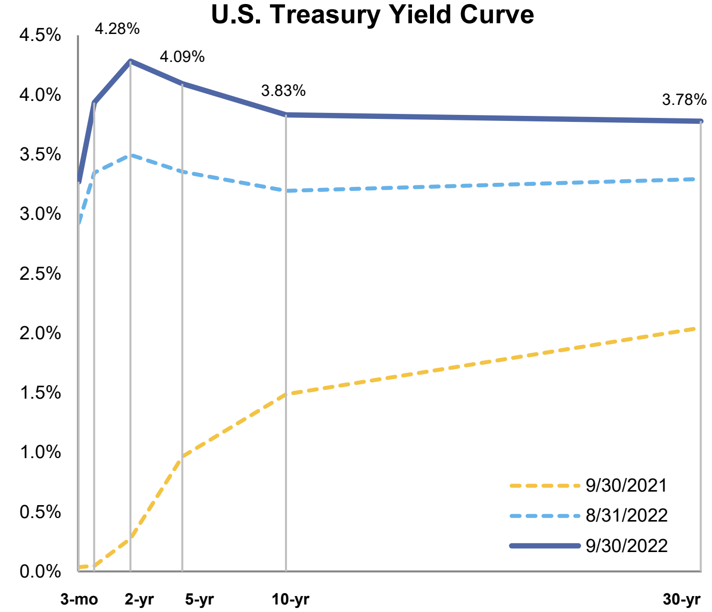
Domestic	Current	Previous Month
Unemployment Rate (%)	3.5%	3.7%
Initial Jobless Claims (4 week average)	206.5 K	206.3 K
CB Leading Economic Indicators	-0.3	-0.5
Capacity Utilization	80.0%	80.2%
GDP (annual growth rate)	-0.6%	-1.6%
University of Michigan Consumer Confidence	58.6	58.2
New Home Starts	685 K	532 K
Existing Home Sales	4.8 MM	4.8 MM
Retail Sales (YoY)	9.7%	12.1%
U.S. Durable Goods (MoM)	-0.2%	-0.1%
Consumer Price Index (YoY)	8.3%	8.5%
Producer Price Index (MoM)	-1.2%	-1.8%
Developed International*	**6/30/2022**	**3/31/2022**
Market GDP (annual rate)	4.2%	3.8%
Market Unemployment	4.2%	4.3%

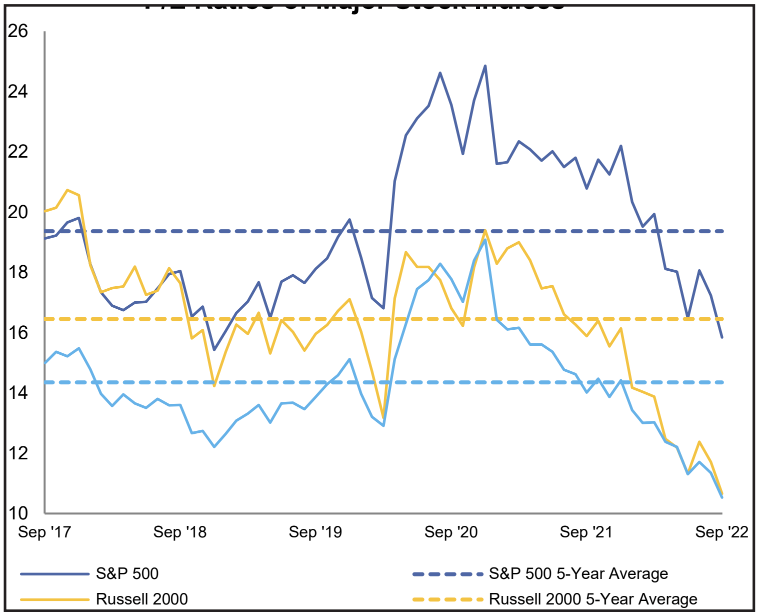
Stock Market Sector Performance (S&P 500)



	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-8.06%	-7.99%	-9.45%	-7.76%	-2.60%	-10.48%	-12.01%	-9.35%	-13.15%	-12.15%	-11.34%
QTD	4.36%	-6.62%	2.16%	-3.10%	-5.18%	-4.72%	-6.21%	-7.13%	-11.03%	-12.71%	-5.99%
YTD	-29.89%	-11.83%	34.49%	-21.25%	-13.08%	-20.72%	-31.44%	-23.75%	-28.93%	-39.04%	-6.51%

U.S. Treasury Yield Curve





Source: Bloomberg. Data as of September 30, 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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