

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -5.17% in January, closing its worst month since March 2020 as threats of rising interest rates, slowing corporate earnings and geopolitical tensions sent stocks tumbling.
- ▶ Within the S&P, two of the 11 sectors posted positive returns. The Energy sector was the month's best performer, returning 19.10%. The Financials sector was second best, returning 0.06%. Consumer Discretionary was the worst-performing sector, posting a negative return of -9.68%.
- ▶ By market capitalization, small-caps (Russell 2000) returned -9.63%, large-caps (Russell 1000 Index), returned -5.64%, and mid-caps (Russell Mid Cap Index) returned -7.37%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned -3.69%. Developed markets, represented by the MSCI EAFE Index, returned -4.83%, while emerging markets (EM), represented by the MSCI Emerging Markets Index, returned -1.89% in January.
- ▶ Within the ACWI ex-U.S. Index, two of the 11 sectors posted positive returns. Energy was the best performing sector, returning 8.22%, followed by Financials, which returned 2.81%. Information Technology was the worst performer by far and returned -10.72%.
- ▶ Non-U.S. returns were mixed, with EM Latin America performing the best and returning 7.38%. Meanwhile Europe ex-UK lagged for the month, returning only -6.15%.

Fixed Income

- ▶ In January, the U.S. Treasury yield curve flattened to the lowest level in over a year given the prospect of rate increases as early as March. The 10- and 30-year treasuries rates rose 27 and 21 basis points (bps), respectively, while the 2-year rates rose 45 bps, leading to the broad treasury index returning -1.9%. Credit spreads generally continued to tighten.
- ▶ The Bloomberg Barclays U.S. Aggregate Index (Aggregate) lost -2.15% in January. Within the investment-grade (IG) credit spectrum, AAA-rated bonds returned -1.87%, AA-rated bonds returned -3.14%, A-rated bonds returned -3.13% and BBB-rated bonds returned -3.49%.
- ▶ Yields generally increased across the U.S. Treasury yield curve during the month of January.

Alternatives and Other Asset Classes

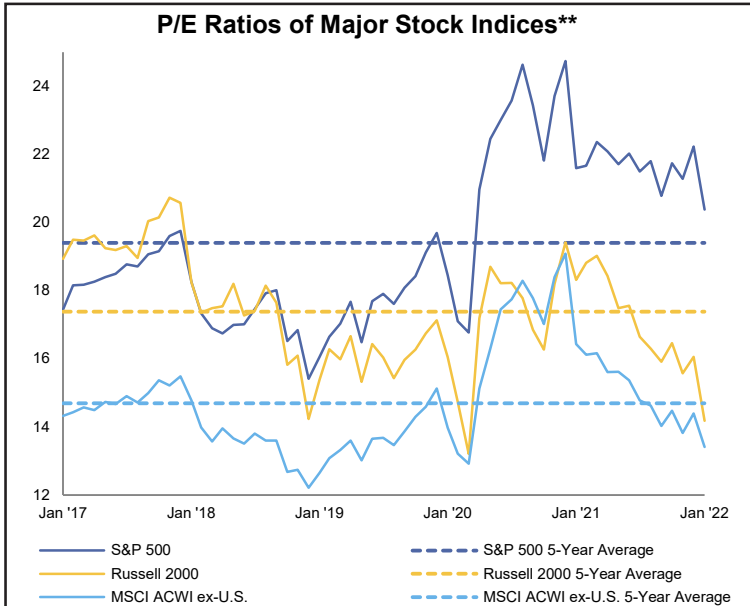
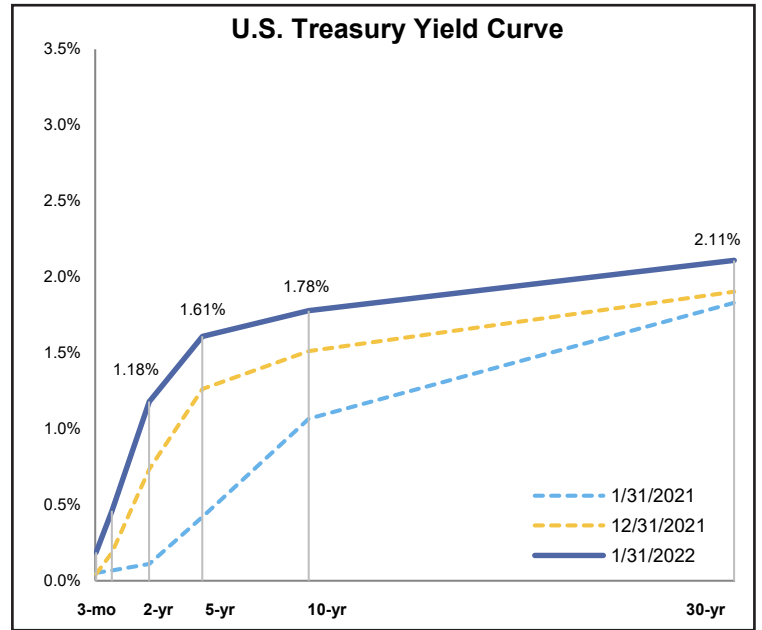
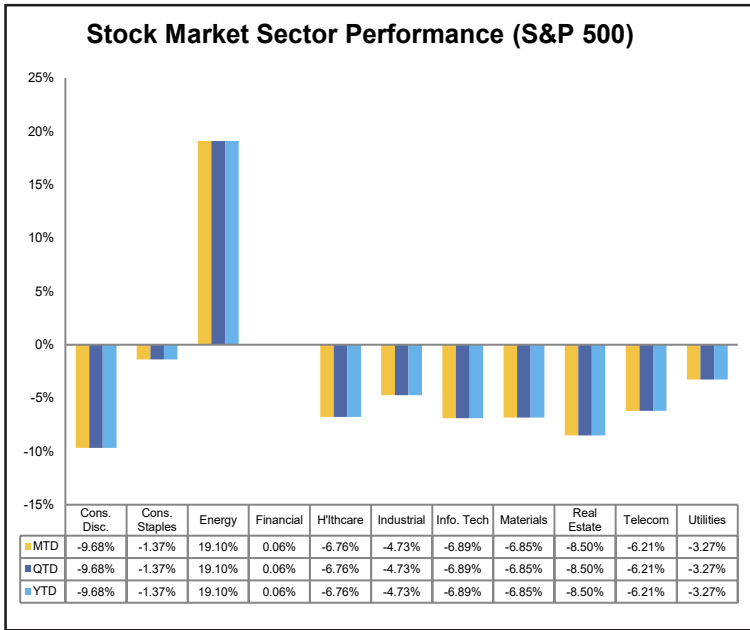
- ▶ Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, fell -6.85%. Performance was negative across eight of the nine real estate sectors. Healthcare did the best, returning 0.19%. The worst-performing sector in January was Data Centers, returning -13.58%.
- ▶ The active contract for West Texas Intermediate (WTI) crude rose to \$88.15/barrel in January from \$75.21/barrel at the end of December.

Items to Watch

- ▶ Cost of living and inflation continues to be top of mind for many Americans as average monthly listed rents in the U.S. increased 14.1% year-over-year in December, with rates increasing over 30% in many major metro areas, according to Redfin's analysis. By comparison, in 2020, average listed monthly rents across the U.S. rose only 3% compared to a year earlier. These increases are set to have a big impact on inflation figures. Rent for shelter is the biggest component of official indices for consumer prices and makes up about 32% of them by weight. Unfortunately, in the near term, shelter costs are likely to counter policymakers' intentions — rising as the newly employed demand shelter and while higher interest rates slow construction and discourage home-buying.
- ▶ The rising risk of a Russian invasion of Ukraine has been sending ripples across the world economy. The U.S., UK, and EU have all prepared a sweeping batch of 'robust' sanctions, and NATO allies have begun amassing military support in Ukraine and bordering countries. While the Russian economy struggles under the threat, China showed support and signed a new 30-year contract for Russian gas.
- ▶ The Bank of England raised its key rate in its first back-to-back rise since 2004. The Monetary Policy Committee voted for a 25 basis point increase, taking the main Bank Rate to 0.5%, though four officials voted for a larger increase. In addition to the rate hike, it will immediately stop reinvesting the proceeds of expired gilts and announced plans to offload its entire stock of corporate bonds by the end of 2023. Traders now see the rate at 1% by May. The European Central Bank continues to keep interest rates steady, insisting inflation is transitory, even as pressure continues to mount and inflation hits another record high..

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-5.17%	-5.17%	-5.17%	23.27%
Russell 3000	-5.88%	-5.88%	-5.88%	18.78%
Russell 2000	-9.63%	-9.63%	-9.63%	-1.24%
Russell 1000	-5.64%	-5.64%	-5.64%	20.30%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	-3.69%	-3.69%	-3.69%	3.62%
MSCI EAFE	-4.83%	-4.83%	-4.83%	7.03%
MSCI Emerging Markets	-1.89%	-1.89%	-1.89%	-7.23%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg Barclays U.S. Agg	-2.15%	-2.15%	-2.15%	-2.97%
Bloomberg Barclays Global Agg	-2.05%	-2.05%	-2.05%	-5.83%
Bloomberg Barclays U.S. HY	-2.73%	-2.73%	-2.73%	2.06%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	-6.85%	-6.85%	-6.85%	33.29%
Bloomberg Commodity	8.77%	8.77%	8.77%	34.66%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	4.0%	3.9%
Initial Jobless Claims (4 week average)	255 K	247.3 K
CB Leading Economic Indicators	0.8	0.7
Capacity Utilization	76.5%	76.6%
GDP (annual growth rate)	6.9%	2.3%
University of Michigan Consumer Confidence	67.2	70.6
New Home Starts	811 K	725 K
Existing Home Sales	6.2 MM	6.5 MM
Retail Sales (YoY)	18.8%	19.3%
U.S. Durable Goods (MoM)	-0.7%	3.2%
Consumer Price Index (YoY)	7.0%	6.8%
Producer Price Index (MoM)	-0.5%	1.1%
Developed International*	9/30/2021	6/30/2021
Market GDP (annual rate)	3.6%	11.9%
Market Unemployment	6.3%	6.8%



Source: Bloomberg. Data as of January 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 September 30, 2021 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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