

## At-A-Glance

The S&P 500 ended the quarter 5.2% below its January 3, 2022 record high.

The Nasdaq Composite gained 3.48% in March, netting an 8.95% loss in the 1Q and ending 11.2% below its November 19, 2021 all-time high.

The Dow Industrials shed over 2,445 points in the first two months of the year before paring its decline to 1,660 points (-4.1%) at quarter end. The Dow gained 2.49% in March.

U.S. stocks are still in a bull market. Since plunging to a pandemic bear-market low on March 23, 2020, the S&P 500 and Nasdaq Composite have surged respectively by 109% and 110% while the Dow Industrials has rallied 94%.

Supply-side issues and the war in Ukraine have caused commodity prices to skyrocket. From oil to metals to wheat, the Bloomberg Commodity Index surged over 25% for its best quarter since 1990.

# QUARTERLY RECAP

First Quarter 2022 Recap

Market Indices <sup>1</sup>	March	1Q 2022	Year-to-Date
S&P 500	3.71%	-4.60%	-4.60%
Russell 3000	3.24%	-5.28%	-5.28%
Russell 2000	1.24%	-7.53%	-7.53%
MSCI EAFE	0.64%	-5.91%	-5.91%
MSCI Emerging Markets	-2.26%	-6.97%	-6.97%
Bloomberg US Aggregate Bond	-2.78%	-5.93%	-5.93%
Bloomberg US Municipal Bond	-3.24%	-6.23%	-6.23%
Bloomberg US Corporate High Yield	-1.15%	-4.84%	-4.84%

<sup>1</sup>Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

U.S. stocks finished the month and quarter on a sour note with the broad market S&P 500 falling nearly 1.6% on the final trading day of March, trimming its first monthly gain in the new year to just over 3.7% and posting its first quarterly loss in two years. In terms of negativity, there were a total of 35 down days this year, marking the largest number of first quarter daily drawdowns since 1984. Nearly half (17) of those daily losses were in excess of 1%.

Equities notably improved in the second half of March, paring a dismal start to the year. At its worst through a March 8 low, the S&P 500 had suffered a peak-to-trough plunge of as much as 13% before paring losses. Since then, there has been a growing optimism that stocks may serve to help hedge against inflation, due to their real cash-flow generating characteristics.

In all, despite four-decade high inflation ushering in a new cycle of Federal Reserve interest rate hikes, erosion in consumer spending together with supply-chain disruptions and prospects for food shortages worsened by the month-long Russian war with Ukraine, the S&P 500 suffered a quarterly loss of just 4.60%. The retreat pales in comparison when contrasted with the thousands of lives lost, property and livelihoods destroyed and resulting refugee dislocations within a nation that did not provoke, nor prod Russia to attack. Moreover, for U.S. markets, it was the onset of the COVID-19 pandemic that triggered the 20% bear market loss in the first quarter of 2020. An event that continues to have an expanding global death toll most recently estimated at 6.14 million.

Referencing the performance table above, the small cap-focused Russell 2000 Index widely trailed the benchmark S&P 500 with about a third of the returns in March and almost 3% greater losses for the quarter. Similarly, foreign stocks also widely trailed American large cap performance in March and for the quarter. Quickly paced Treasury yield gains have especially caused concerns in investment-grade fixed-income bond market valuations.

As shown in the style box performance boxes below, large cap core and its growth component outperformed all other domestic styles and capitalization levels in March.

Outside of that, value defensively outperformed growth-oriented companies in mid and small cap levels last month and for the quarter.

	March			First Quarter			YTD 2022		
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth
Large	2.82%	3.37%	3.91%	-0.74%	-5.13%	-9.04%	-0.74%	-5.13%	-9.04%
Mid	3.04%	2.56%	1.61%	-1.82%	-5.68%	-12.58%	-1.82%	-5.68%	-12.58%
Small	1.96%	1.24%	0.46%	-2.40%	-7.53%	-12.63%	-2.40%	-7.53%	-12.63%

Morningstar Direct Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends

In the sector performance tables below, 10 of the 11 major sector groups ended broadly higher in March, with Utilities at the top of the leaderboard and Financials the only declining sector. Big investment banks are contending with a slowdown in capital markets issuance. Although not reflected below, Materials was the fourth-best performing sector last month, up 6.11%. First quarter sector performance was dominated by strong gains in Energy, a reflection of the 33% YTD surge in crude oil prices. U.S. WTI oil prices have moderated from a March 8 closing high of \$123.70 before ending the quarter at \$100.28/barrel. Defensively oriented sectors Utilities and Consumer Staples rounded out the list of top first quarter performers.

Top Sector Performers – March <sup>1</sup>		Bottom Sector Performers – March <sup>1</sup>	
Utilities (+10.36%)		Consumer Staples (+1.81%)	
Energy (+8.96%)		Communication Services (+0.95%)	
Real Estate (+7.79%)		Financials (-0.19%)	
Top Performers – First Quarter <sup>1</sup>		Bottom Performers – First Quarter <sup>1</sup>	
Energy (+39.03%)		Technology (-8.36%)	
Utilities (+4.77%)		Consumer Discretionary (-9.03%)	
Consumer Staples (-1.01%)		Communication Services (-11.92%)	
Top Performers – YTD 2022 <sup>1</sup>		Bottom Performers – YTD 2022 <sup>1</sup>	
Energy (+39.03%)		Technology (-8.36%)	
Utilities (+4.77%)		Consumer Discretionary (-9.03%)	
Consumer Staples (-1.01%)		Communication Services (-11.92%)	

<sup>1</sup>Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

As mentioned, overseas equity performance widely trailed the U.S. S&P 500 Index last quarter. Emerging markets experienced deeper quarterly losses than the U.S. as Chinese stocks tumbled on U.S. delisting fears. The MSCI China Index saw its worst quarterly start to a year since 2008, down 14.19%. Moreover, Russian markets were closed most of March, causing performance tracking firms to report 100% Russian equity valuation declines to reflect inability to trade (zero liquidity). The MSCI All-Country World Index climbed 2.17% in March and fell 5.36% during the first quarter. The ACWI excluding U.S. performance rose just 0.16% last month and fell 5.44% last quarter.

U.S. Treasuries, as measured by the Bloomberg U.S. Government Bond Index, fell 3.09% in March and lost 5.53% in the first quarter. After the Fed raised its key Fed Funds interest rate by a ¼-point in March with at least seven more such increases forecast this year, the yield on benchmark 10-year Treasury notes jumped 83 basis points from 1.51% at the start of the year to 2.32% at the end of the quarter. The long end of the yield curve suffered deeper declines, with the Bloomberg U.S. Government Long-term Bond Index falling 5.34% last month and posted a 10.57% loss for the first quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) also ended March and the quarter with outsized losses, sliding nearly 2.8% last month and down over 5.9% for the quarter. Municipal bonds fared even worse, losing around 3.2% in March and almost twice that for the quarter, down 6.2%. Non-investment-grade high-yield debt fell the least in March, with the Bloomberg U.S. Corporate High Yield Index off nearly 1.2% and down over 4.8% in the first quarter.

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### **Glossary**

**The Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

**The Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

**The Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index**<sup>®</sup> (VIX<sup>®</sup>) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.