CETERA® INVESTMENT MANAGEMENT

# MONTHLY RECAP

April 2022 Recap

| Market Indices[1] | April | Year-to-Date |
|---|---|---|
| S&P 500 | -8.72% | -12.92% |
| Russell 3000 | -8.97% | -13.78% |
| Russell 2000 | -9.91% | -16.69% |
| MSCI EAFE | -6.47% | -12.00% |
| MSCI Emerging Markets | -5.56% | -12.15% |
| Barclays U.S. Aggregate Bond | -3.79% | -9.50% |
| Barclays U.S. Municipal Bond | -2.77% | -8.82% |
| Barclays U.S. Corporate High Yield | -3.56% | -8.22% |

[1]Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

## At-A-Glance

The S&P 500 ended April in correction status, down 13.5% below its most recent all-time high set on January 3, 2022.

The Dow Industrials lost 1,701 points (-4.8%) last month. The Dow ended April 9.9% below its January 4, 2022 record high.

The Nasdaq Composite fell 13.2% in April, its worst month since October 2008. Moreover, the Nasdaq ended April in a bear market, down 23% from its November 19, 2021 record high and is down 21% YTD.

Despite the losses, the S&P 500 is still up 90.7% since the March 23, 2020 COVID-19 bear market low. Since that date, the Dow 30 is up 84.8% and the Nasdaq is up 82.6%.

The yields on 10- and 30-year Treasurys peaked on April 20 at 2.977% (highest since Dec. 2018) and 3.029% (highest since March 2019), respectively.

Bloomberg's Commodities Index rallied 4.1% in April, extending its YTD gain to over 30%. U.S. crude oil climbed nearly 4.5% to end the month at $104.69/barrel (+39% YTD).

U.S. stocks fell sharply the last trading day of April amid intensifying concerns over rising interest rates, persistently high inflation, mixed earnings, and global unrest. On Friday, April 29, the Dow Industrials tumbled 939 points, the S&P 500 retreated 3.6% and the tech-heavy Nasdaq Composite lost 4.2%. For the month, the S&P 500 nosedived almost 8.8%, its worst month since March 2020. Moreover, the benchmark S&P 500 index is down 12.9% year-to-date (YTD), its worst four-month start to a year since World War II.

The economy is facing potent headwinds that include downstream effects from Russia's war in Ukraine, not least of which are agricultural and fertilizer-based. Raw materials are in short supply and China's austere lockdown measures from a resurgence in COVID-19 cases are upending supply chains for a myriad of industries. Meanwhile, Fed Chairman Powell has signaled that policymakers are committed to front-loading aggressive policy measures to cool overheated prices. At its upcoming May 3-4 FOMC meeting, the Fed will likely raise interest rates by at least a ½-point together with a decision to begin reducing its $9 trillion balance sheet at a pace of $95B per month. Inflation most recently jumped to 8.5% in March, its steepest increase since 1982. While market participants fear Fed missteps, Powell voiced confidence in the Fed's ability to engineer a soft landing that brings inflation back toward its 2% target without stalling the economy.

Fed policymakers walk a fine line however, after an early estimate of first quarter U.S. GDP unexpectedly contracted at a 1.4% annualized pace (+1% growth expected). The quarter-over-quarter contraction was primarily due to a jump in March imports and a drop in exports, coupled with a slower buildup of businesses' stockpiles. Taken together, trade and inventories subtracted around 4% from headline growth. The surge in imports suggests solid consumer demand which should quickly return the economy to sustained growth. On a year-over-year basis, the GDP grew by 3.6%.

First quarter earnings trends have been particularly robust, helping temper deeper losses during the volatile start to the year. Following favorable corporate guidance, 2Q revisions are already 0.8% above the historical trend. With 275 of S&P 500 companies reporting results, 1Q earnings are beating analysts' estimates on average by 6.5% with 77% of companies topping projections. Technology companies are poised to show a profit contraction of

1.2% for the first quarter compared to 12% growth for the rest of the market. Large cap companies are beating analysts' earnings estimates by a smaller 2.3% margin versus 8.6% for small and mid caps.

As shown below, all nine style boxes ended negative last month, with large cap value outperforming with the smallest losses in both April and YTD. In fact, value-oriented stocks widely outperformed with smaller losses relative to their core and growth measures. So far this year, value is outperforming growth by at least 13% YTD in all market cap levels.

**April**

| | Value | Core | Growth |
|---|---|---|---|
| Large | -5.64% | -8.91% | -12.08% |
| Mid | -5.94% | -7.70% | -11.26% |
| Small | -7.76% | -9.91% | -12.27% |

**YTD**

| | Value | Core | Growth |
|---|---|---|---|
| Large | -6.34% | -13.59% | -20.03% |
| Mid | -7.65% | -12.94% | -22.42% |
| Small | -9.97% | -16.69% | -23.35% |

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 sector performance below, among the 11 major groups only Consumer Staples posted positive returns last month and YTD. Energy continues to dominate gains so far this year. Technology, Consumer Discretionary and Communication Services fell the most in April, a pattern echoed on a YTD basis.

| **Top Performers – April** | **Top Performers – YTD [1]** |
|---|---|
| Consumer Staples (+2.56%) | Energy (+36.89%) |
| Energy (-1.54%) | Consumer Staples (+1.53%) |
| Materials (-3.49%) | Utilities (+0.32%) |
| **Bottom Performers – April** | **Bottom Performers – YTD [1]** |
| Technology (-11.28%) | Technology (-18.70%) |
| Consumer Discretionary (-13.00%) | Consumer Discretionary (-20.85%) |
| Communication Services (-15.62%) | Communication Services (-25.68%) |

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets posted smaller losses relative to the U.S. in April, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) falling 2.25% less than the S&P 500. Germany and Japan however posted outsized losses of over 8%. Emerging markets also outperformed, falling 3.2% less than the U.S. benchmark. Emerging markets in India (-1.7%) and China (-4.1%) together with an 8.2% gain in Russia helped moderate double-digit April loss in Brazil (-13.7%), South Africa (-12.8%) and Mexico (-11.1%).

Turning to fixed income markets, U.S. Treasurys logged another big loss in April, with the Bloomberg U.S. Government Bond Index (-3.05%) deepening its YTD loss to -8.4%. On a broader basis, investment-grade bonds of all types fell 3.8% last month while higher-risk, non-investment grade high yield corporate bonds fell just over 3.5%. Municipal bonds of all types fell the least, down 2.8% in April and a blend of long-term governments and corporate bonds fell the most, down 9.3% for the month.

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This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on Twitter.

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***Disclosures***

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

***Glossary***

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman 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. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US 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 prerefunded 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. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US 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. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays 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 US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

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 reweightings of the components).

The **Cboe Volatility Index®** (VIX®) 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 **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.