

## At-A-Glance

Despite strong gains, the S&P 500 remains in correction, down 13.14% from its Jan 3 record high. Positively, the index ended July up 12.80% from its 6/16/22 first-half low.

The Dow Jones Industrial Average climbed over 2,069 points in July (+6.82%). The Dow trimmed its YTD loss to 8.60%.

Among the three main U.S. equity indices, the Nasdaq Composite gained the most in July, up 12.39%. The Nasdaq remains in a bear market down 20.47% YTD and 22.44% below its Nov 19, 2021 record high.

Since the pandemic low on March 23, 2020, the S&P 500 is up 91.41%. Since that date, the Dow 30 is up 85.05% and the Nasdaq has gained 83.88%.

Bloomberg's Commodities Index rose 4.26% in July, extending its YTD gain to 23.49%. July gains were led by natural gas (+52%) and livestock (+8.1%).

# MONTHLY RECAP

July 2022 Recap

Market Indices <sup>1</sup>	July	Year-to-Date
S&P 500	9.22%	-12.58%
Russell 3000	9.38%	-13.70%
Russell 2000	10.44%	-15.43%
MSCI EAFE	4.98%	-15.56%
MSCI Emerging Markets	-0.25%	-17.83%
Barclays U.S. Aggregate Bond	2.44%	-8.16%
Barclays U.S. Municipal Bond	2.64%	-6.58%
Barclays U.S. Corporate High Yield	5.90%	-9.12%

<sup>1</sup>Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

U.S. equities finished July in upbeat risk-on fashion, courtesy of solid earnings from mega cap technology and major oil companies. Overall monthly gains were led by a strong recovery in cyclical growth-oriented companies, especially among smaller capitalized firms. The S&P 500 broad-market benchmark surged over 9% for its best month since November 2020 after losing 8.3% in June. Equity markets reversed last month's losses, looking past concerns about high inflation and recessionary indications.

Investors seemingly took an intense litany of headwinds in stride last month. The consumer price index (CPI) reached a new 40-year annualized high of 9.1%, the Fed aggressively raised interest rates with a second 0.75% hike to a range of 2.25%-2.50%. In an advance second-quarter GDP report, the U.S. economy contracted by 0.9%, following a 1.6% decline in the first quarter. While two successive quarterly GDP contractions meet the common definition of a recession, the second quarter decline was the first of three estimates, so the picture may change as more data becomes available. Moreover, Federal Reserve Chairman Powell signaled that future rate increases may be smaller and market-implied expectations for upcoming policy tightening slowed to less than one percent by the end of this year.

Corporate profits are coming in much better than feared given earlier views for intense inflationary pressures and severe profit-margin compression. So far, 279 S&P 500 firms have reported with 71% topping analysts' estimates, beating projections by approximately 4.6%. Value stocks are delivering stronger year-over-year revenue and earnings per share (EPS) growth (+12.8% and +16.7%) than growth stocks (+9.5% and -1.8%). Final second-quarter sales and EPS growth are expected at +11.9% and +8.4%, respectively.

In July, growth-oriented companies did better regardless of company size. Mid cap Growth took top July honors, up 12.24%. However, value is outperforming growth by at least 12% YTD across all market caps. Large cap value (-7.08%) is the best style performer, down the least YTD.

	July			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	6.63%	9.31%	12.00%	-7.08%	-13.58%	-19.44%
Mid	8.61%	9.87%	12.24%	-9.02%	-13.83%	-22.56%
Small	9.68%	10.44%	11.20%	-9.30%	-15.43%	-21.55%

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, all 11 major groups posted July gains, led by double-digit returns in Consumer Discretionary and Technology. Energy was the third largest monthly gainer, extending its 2022 sector dominance, up over 44% YTD. Defensive sectors, including Utilities and Consumer Staples were also top performers on a YTD basis.

Top Performers – July	Top Performers – YTD <sup>1</sup>
Consumer Discretionary (+18.94%)	Energy (+44.66%)
Technology (+13.54%)	Utilities (+4.92%)
Energy (+9.72%)	Consumer Staples (-2.47%)
Bottom Performers – July	Bottom Performers – YTD <sup>1</sup>
Communication Services (+3.71%)	Technology (-17.01%)
Healthcare (+3.32%)	Consumer Discretionary (-20.10%)
Consumer Staples (+3.30%)	Communication Services (-27.57%)

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

Foreign equity markets trailed the U.S. in July, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) near 5% return underperforming the S&P 500's 9.2% gain. Japan led with gains of 5.70%, while Germany (Europe's largest economy) trailing half as much, up 2.35%. The Eurozone remains hampered by its ongoing energy crisis with Russia dialing back its natural gas pipeline flows into the region to just 20% of capacity. Emerging markets declined fractionally, with strong July gains in India (+9.32%), South Korea (+5.81%) and Brazil (+5.53%) overshadowed by sharp declines in China (-9.50%).

Turning to fixed income markets, Treasuries ended July with the yield on 10-year Treasury notes at 2.64%, down from June's peak near 3.50%. Investment-grade bonds of all types rebounded by over 2.4% last month, led by investment-grade corporates (+3.24%), its best month in two years. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, sharply rebounded last month, up 5.90% for its best performance in over a decade (since October 2011). Despite the gain, high-yield credit is down 9.12% YTD. Municipal bonds of all types outperformed the U.S. Aggregate Bond benchmark index, up over 2.6% to dampen its YTD loss to 6.58%.

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



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### ***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**<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 **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.