

At-A-Glance

The S&P 500 posted its best October gain since 2011.

The Dow Jones Industrial Average surged 14.07% in October, its best month since Jan 1976 when it gained 14.4%. The Dow-30 Index is down just 8.42% YTD.

The Nasdaq Composite gained the least, rising 3.94% last month. The Nasdaq's tech-heavy, growth-oriented concentration typically underperforms during periods of rising interest rates. The Nasdaq is down 29.32% YTD.

MONTHLY RECAP

October 2022 Recap

Market Indices ¹	October	Year-to-Date
S&P 500	8.10%	-17.70%
Russell 3000	8.20%	-18.44%
Russell 2000	11.01%	-16.86%
MSCI EAFE	5.38%	-23.17%
MSCI Emerging Markets	-3.10%	-29.42%
Bloomberg U.S. Aggregate Bond	-1.30%	-15.72%
Bloomberg U.S. Municipal Bond	-0.83%	-12.86%
Bloomberg U.S. Corporate High Yield	2.60%	-12.53%

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

U.S. equities ended October with exceptionally strong gains, although investors took a breather on Halloween amid month-ending rebalancing. Energy shares also trimmed monthly gains after President Biden called on Congress to consider tax penalties for oil producers that are reporting record profits. Still, led by double-digit gains on the Dow Industrials, all three major U.S. equity indices posted their first positive month since July. The primary upside catalyst was investor optimism that the Federal Reserve may dial back its pace of aggressive interest rate hikes, perhaps as early as December. Another 0.75% rate hike is widely expected at its early November FOMC policy meeting.

October gains were all the more impressive given that the S&P 500 reached a fresh bear market low on October 12. While there is no certainty whether or not this proves to be the ultimate market bottom, S&P Global index officials note that whenever mid-term election years coincide with a bear market, the S&P 500 has recorded its ultimate bottom in October four of five times, posting an average monthly gain of 5.6% 60% of the time. Thereafter, the S&P 500 subsequently gained an average of 6.2% through December 31, rising in price in each prior instance. Keep in mind the sample size is small.

Third quarter corporate earnings have come in mostly better than feared with over 55% of S&P 500 companies reporting results so far. Earnings are currently surpassing analysts' consensus estimates by 3.4% with 68% topping projections. Updated 3Q forecasts are indicating overall revenue and EPS growth of 10.1% and 4.4% respectively. More globally oriented S&P 500 companies are delivering greater earnings growth than their domestically positioned peers (+10.6% vs. +5.6%).

In October, all equity styles of companies posted positive returns for the month, while year-to-date (YTD) returns remain negative across the board. Quite notably, value-oriented companies registered stronger gains versus their growth counterparts. Small cap stocks performed best, particularly small cap value (+12.59%). Value continues to widely outperform on a YTD basis. As mentioned in the side bar Nasdaq section, growth is negatively correlated to rising interest rates, as future expected profits decline in present value calculations.

October				YTD			
	Value	Core	Growth		Value	Core	Growth
Large	10.25%	8.02%	5.84%	Large	-9.32%	-18.54%	-26.61%
Mid	9.45%	8.88%	7.86%	Mid	-12.83%	-17.55%	-26.06%
Small	12.59%	11.01%	9.49%	Small	-11.19%	-16.86%	-22.57%

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 delivered positive returns, but with widely divergent degrees of gains. Energy continued its dominance in both monthly and YTD returns, surging nearly 25% in October to extend YTD gains to over 68%. Although not shown in the table below, the tech sector gained 7.82% in October, trimming its YTD loss to -26.08%. Consumer Discretionary and Communication Services are down the most so far this year.

Top Performers – October	Top Performers – YTD ¹
Energy (+24.96%)	Energy (+68.62%)
Industrials (+13.92%)	Consumer Staples (-3.86%)
Financials (+11.99%)	Utilities (-4.59%)
Bottom Performers – October	Bottom Performers – YTD ¹
Real Estate (+2.05%)	Real Estate (-27.39%)
Consumer Discretionary (+0.23%)	Consumer Discretionary (-29.73%)
Communication Services (+0.14%)	Communication Services (-38.96%)

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

Foreign equity markets were mixed in October, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) delivering positive returns, up nearly 5.4%, while trailing the U.S. S&P 500 gain by just over 2.7%. Germany and France, Europe's largest economies, led the EAFE advance, up in excess of 9% each. Emerging markets lagged last month, extending YTD losses to over 29%. Chinese stocks registered steep losses (-16.8%) amid Beijing's continuing COVID Zero lockdown policy.

Turning to fixed income markets, Treasuries ended October with the yield on benchmark 10-year Treasury notes at 4.07%, up 0.27% M/M, yet its yield eased from an October 24 intra-month high of over 4.2% (highest yield since 2008). On a broader basis, investment-grade bonds fell by 1.30%. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, gained 2.60% to trim its YTD loss to -12.53%. Municipal bonds outperformed the U.S. Aggregate Bond benchmark index, falling a lesser 0.83%.

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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® (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.