

## At-A-Glance

Despite February losses, the S&P 500 is still up 11.74% from its Oct 12 bear market low.

Amongst the three major U.S. indices, the Nasdaq Composite fell the least (-1.01%) and is up 9.61% YTD. The tech-heavy index is still up 10.38% from the Oct 12 bear market low.

The Dow Jones Industrial Average fell the most, shedding 1,429 points (-3.94%). The Dow 30 index is down 1.13% YTD but remains positive from the Oct 12 bear market low (+12.74%).

The Bloomberg blended index of long-term U.S. government and corporate bonds that performed best in January (+6.59%) became February's worst performer, giving back most of its gains (-4.96%).

The Bloomberg Commodity Index fell 4.70% to extend its YTD loss to 5.17%. In highlights, gold futures tumbled 5.5% last month, ending at \$1,836 per ounce. U.S. WTI crude oil prices fell 2.3% ending at \$77.05/barrel.

# MONTHLY RECAP

February 2023 Recap

Market Indices <sup>1</sup>	February	Year-to-Date
S&P 500	-2.44%	3.69%
Russell 3000	-2.34%	4.39%
Russell 2000	-1.69%	7.89%
MSCI EAFE	-2.09%	5.84%
MSCI Emerging Markets	-6.48%	0.90%
Bloomberg U.S. Aggregate Bond	-2.59%	0.41%
Bloomberg U.S. Municipal Bond	-2.26%	0.55%
Bloomberg U.S. Corporate High Yield	-1.29%	2.47%

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

Following solid January performance, all three major U.S. equity indices whimpered lower in February, posting their second negative month since November. Essentially, the disinflationary optimism in January that eased bond yields and drove up global equity markets, reversed in February as incoming economic data showed world economies were more resilient than previously believed. This after fresh consumer and producer prices ran hotter than expected together with strong retail sales, a surge in payroll growth and fewer jobless claims.

Investor concern is less about recession fears but now centers on still stubbornly elevated inflation that prompted increased hawkish prospects for higher interest rates that will likely stay in place for longer. As widely expected, the Federal Reserve raised rates by 0.25% on the first day in February to a new range of 4.50%-4.75%. Then as hawkish-prompting economic data rolled in, markets responded by re-pricing the expected 2023 terminal (peak) Fed Funds rate toward 5.4%, up by about 0.60% since the end of January.

Most recently, consumer confidence worsened during the month. The Conference Board's closely watched Consumer Confidence Index unexpectedly slumped to 102.8 in February from 106.0 the month prior and was widely below the consensus projection for 108.5. The drop in February consumer confidence aligns with weakening business confidence as referenced in numerous earnings-related outlooks.

All equity styles of companies posted negative returns in February but held onto gains on a year-to-date (YTD) basis. Notably, all small- and most mid-cap styles outperformed large-caps with smaller February losses and larger YTD gains. Growth overwhelmingly outperformed Value for all styles in both time periods. Recall that growth is more sensitive to rising interest rates (as future expected profits decline in present value calculations) so continuing growth outperformance is a telling sign of still hopeful market expectations for interest rates to reach its terminal (peak) level, albeit later in 2023 than previously thought.

	February			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	-3.53%	-2.38%	-1.19%	1.47%	4.17%	7.05%
Mid	-3.20%	-2.43%	-0.99%	4.62%	5.68%	7.65%
Small	-2.31%	-1.69%	-1.08%	7.02%	7.89%	8.76%

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, ten of the 11 major groups posted February losses with only Technology delivering a positive return. Separately, seven of the 11 sectors delivered positive return on a year-to-date basis, led by Consumer Discretionary still up double digits. Cyclical (economically sensitive) sectors continued to outperform while defensive sectors predominately lagged with the sharpest declines.

Top Performers – February	Top Performers – YTD <sup>1</sup>
Technology (+0.45%)	Consumer Discretionary (+12.62%)
Industrials (-0.89%)	Technology (+9.81%)
Consumer Discretionary (-2.09%)	Communication Services (+9.16%)
Bottom Performers – February	Bottom Performers – YTD <sup>1</sup>
Utilities (-5.90%)	Energy (-4.51%)
Real Estate (-5.92%)	Healthcare (-6.39%)
Energy (-7.12%)	Utilities (-7.78%)

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

Foreign equity markets were also in the red in February with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) down almost 2.1%. Contrary to the U.S. where Growth outperformed Value last month, EAFE Growth (-2.80%) companies fell twice as much as EAFE Value (-1.40%). Emerging markets widely underperformed, down nearly 6.5% to trim 2023 gains to just under 1%. MSCI country indices for China (-10.37%), Thailand (-9.24%) and Brazil (-9.21%) were deeply negative while Mexico (-0.20%) and Taiwan (-1.13%) outperformed with the smaller losses.

Turning to fixed income markets, Treasuries ended the month with the yield on benchmark 10-year Treasury notes at 3.92%, up 39 basis points (+0.39%) to more than erase its January 0.35% increase. On a broader basis, investment-grade bonds lost 2.59% in February as measured by the Bloomberg U.S. Aggregate Bond Index. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, outperformed, fell 1.29% last month and municipal bonds slightly trailed the U.S. Aggregate Bond benchmark index, falling a lesser 2.26%. Bond prices decline as yields rise.

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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### **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.