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**Market Review**

Source: Zephyr Style Advisor

The equity markets declined again in April across all major indices. Covid lockdowns in China, the Russia-Ukraine war, and persistent inflation continued to drag equities lower. Emerging market equities fell -5.5% in April, outperforming both international developed (-6.4%) and US markets (-8.7%). Lackluster earnings by tech heavyweight overshadowed positive corporate earnings in other segments and led US equity markets to have their worst start to a year since 1939[[1]](#endnote-1). US Dividend stocks have been the silver lining so far this year, down -3.1% in April and only -3.2% year to date. Investors see dividend stocks as a source of income, and a potential inflation hedge as well[[2]](#endnote-2).

Within the S&P 500 sectors, the energy rally finally cooled off and returned -1.5 % in April, technology-related sectors like communication services (-15.6%) were hurt the most, while defensive sectors like consumer staples gained (2.6%) during the month. Reviewing equity styles, large value while negative (-5.6%) significantly outperformed large growth (-12.1%) for the month and for the year. Growth stocks often synonymous with technology segments have struggled as the cost of running a business rises with rising interest rates.

There were no signs of relief in April for fixed income. Bond yields continued to climb during the month, which weighed heavily on an already struggling bond market. US fixed income fared the best in April, declining -3.8%, followed by emerging markets (-4.3%). International developed, down -6.8% during the month, was hit especially hard because of the ongoing geopolitical tensions in Europe. All major bond sectors were flat or declined in April, with long U.S. Treasuries (-8.9%) suffering the largest loss. The Federal Reserve signaled to interest rate hikes (some as high as 50bps) at the upcoming meeting which added to the market volatility.

Broad commodities continued to rally this month (4.1%) as energy showed no signs of slowing down, up 13.5% for the month and a whopping 67.9% % for the year. Gold took a step back in April (-2.1%) but is still up for the year (4.3%). The US dollar had a strong month and was up 4.8%, its largest gain since January 2015[[3]](#endnote-3). The rise of the US dollar can be attributed to the fact that investors flock to dollar-denominated assets when interest rates rise.

Relative to a globally balanced (60/40) equity/bond index, allocations to commodities, gold,

global bonds and US REITs helped while global equities hurt.

Source: Zephyr Style Advisor

DEFINITIONS

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| **Asset Class** | **Index** | **Definition** | |
| US Equity | S&P 500 | measures the performance of 500 leading companies in the U.S. Constituents generally have a market-cap above $5 billion and represent approximately 80% of the investable market. | |
| Global Equity | MSCI ACWI | measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe. | |
| International Developed Equity | MSCI EAFE | measures the equity performance of countries considered to represent developed markets, excluding the U.S. and Canada. | |
| Emerging Markets (EM) Equity | MSCI Emerging Markets | measures the equity market performance of countries considered to represent emerging markets. | |
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| |  |  |  | | --- | --- | --- | | Global Fixed Income | Bloomberg Global Aggregate | measures the performance of global, investment-grade debt from 24 local currency markets. This benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. | | US Fixed Income | Bloomberg US Aggregate | measures the performance of USD-denominated, investment-grade, fixed-rate taxable bond market of SEC-registered securities. The index includes Treasury bonds, Government-related Corporate, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS sectors. | | US Long Treasuries | Bloomberg US Treasury Long | measures the performance of long-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value. | | US Municipal | Bloomberg Barclays US Municipal | measures the performance of 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. | | Emerging Markets Fixed Income | Bloomberg Emerging Markets USD Aggregate | measures the performance of hard-currency emerging markets debt including fixed and floating-rate USD-denominated debt issued from sovereign, quasi-sovereign, and corporate emerging markets debt. | | International Fixed Income | Bloomberg Global Aggregate ex-USD | measures the performance of investment-grade debt from 24 local currency markets. This multi-currency index includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. It excludes bonds issued in USD. | | Emerging Markets Fixed Income | Barclays Emerging Markets Local Currency Government | Measures the performance of local currency emerging markets debt. | | Commodities | Bloomberg Commodity | Measures the performance of a broadly diversified exposure to physical commodities via futures contracts. | | Gold | Bloomberg Sub Gold | measures the performance of futures contract on Gold and is quoted in USD. | | Oil | WTI Crude Oil | is represented by the near month crude oil futures contract traded on the NYMEX. | | US REIT | FTSE NAREIT All Equity REITs | measures the performance of a comprehensive family of REIT indexes that spans the commercial real estate space across the US economy. The index series provides investors with exposure to all investment and property sectors. | | Sector - Energy | S&P 500 Sector Energy | measures the performance of companies involved in the development and production of crude oil, natural gas and provide drilling and other energy-related services. | | Sector - Consumer Staples | S&P 500 Sector Consumer Staples | measures the performance of companies involved in the development and production of consumer products including: food and drug retailing, beverages, food products, tobacco, household products and personal products. | | Sector – Communications | S&P 500 Sector Communication Services | measures the performance of companies from the media, retailing, and software & services industries in the U.S | | US Value | S&P 500 Value | measures the performance of value stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | US Growth | S&P 500 Growth | measures the performance of large-cap growth stocks in the U.S., which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. | | US Dividend Equity | S&P High Yield Dividend Aristocrats | measures the 50 highest dividend yielding constituents of the stocks of the S&P Composite 1500 Index that have increased dividends every year for at least 25 consecutive years. These stocks have both capital growth and dividend income characteristics, as opposed to stocks that are pure yield, or pure capital oriented. | | Global 60/40 Index Blend | 60% MSCI ACWI, 40% BBG Barclays Global Aggregate | measures the performance of a blend of global equities and global bond indexes used as a benchmark for balanced portfolios | | US Dollar | US Dollar Index | measures the value of the US dollar relative to the value of a 'basket' of currencies of the majority of the U.S.'s most significant trading partners. Factors the exchange rates of six major world currencies: euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc. | |  |  |  | |  |  |  | |  |  |  | | | | |

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1. https://www.marketwatch.com/story/a-rough-4-months-for-stocks-s-p-500-at-risk-of-booking-the-worst-start-to-a-year-since-1942-heres-what-pros-say-you-should-do-now-11651250525 [↑](#endnote-ref-1)
2. [Why You Should Invest in Dividend Growth Stocks in 2022 (cnbc.com)](https://www.cnbc.com/select/why-dividend-growth-stocks-are-worth-investing-in/) [↑](#endnote-ref-2)
3. [Dollar slips, but posts best month since 2015 | Reuters](https://www.reuters.com/business/dollar-towers-two-decade-high-growth-woes-fed-outlook-2022-04-29/) [↑](#endnote-ref-3)