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**Market Review**

Source: Zephyr Style Advisor

August posed challenges for equity markets with US equities (-4.1%) and international developed equities (-4.7%) both in the negative. Emerging markets equities outperformed developed markets and gained (0.5%) led by India and Brazil recovering from July lows. While equity markets began strong for the month, sentiment reversed as investors reacted to Fed Chair Jerome Powell’s remarks at the Jackson Hole symposium where a continued hawkish stance of ongoing interest rate tightening to combat inflation was conveyed.[[1]](#endnote-1) With worries of aggressive rate hikes potentially pushing markets into recession, US equities suffered its worst August in seven years.[[2]](#endnote-2)

Within S&P 500 sectors, only two posted positive returns for the month: energy (2.8%) and utilities (0.5%). Despite falling crude oil prices during the month, ongoing supply concerns for natural gas led to gains in the energy sector. Technology was the worst performer (-6.1%) with weakness showing up from chipmakers2 and headwinds from potential higher interest rates. Moving to equity styles and sizes, value fared better than growth for mid and large caps, but small caps reversed this trend with growth outperforming value.

Bonds offered little refuge amid the market volatility as interest rates rose. Like equities, emerging markets bonds fared the best (-0.5%) while US bonds struggled (-2.8%). International developed bonds were the worst performer hurt by a strong dollar and rising interest rates (-5.0%). Despite the volatility in equity markets, lower quality bonds such as high yield also fared better (-2.3%). Short-term treasury bonds offered the only positive return on the month (0.1%) as investors sought safety from market volatility and interest rate risk.

Broad commodities were flat (0.1%) for the month. Energy (natural gas) and grains helped while industrial metals and livestock hurt. Precious metals saw the largest drops as gold continued its slump (-2.9%) hurt by a strong dollar. US REITs saw declines exceeding broad equity markets (-5.9%). The US Dollar gained (2.9%), as expectations of the Fed’s ongoing aggressive rate hikes continue, and investors retreat to safety over concerns of a recession.

Within a balanced portfolio, allocations to gold and commodities helped while US REITs and global bonds hurt.

Source: Zephyr Style Advisor

INDEX DEFINITIONS

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| **Asset Class** | **Index** | **Definition** |
| Commodities | Bloomberg Commodity  | Measures the performance of a broadly diversified exposure to physical commodities via futures contracts.  |
| Emerging Markets Bonds | 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.  |
| Emerging Markets (EM) Equity | MSCI Emerging Markets | measures the equity market performance of countries considered to represent emerging markets.  |
| 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. |
| 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.  |
| Global Bonds | 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. |
| Gold | Bloomberg Sub Gold | measures the performance of futures contract on Gold and is quoted in USD. |
| International Bonds | 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. |
| International Developed Equity | MSCI EAFE | measures the equity performance of countries considered to represent developed markets, excluding the US and Canada. |
| 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 - Technology | S&P 500 Sector Technology | measures the performance of companies involved in technology hardware, storage and peripherals, software, communications equipment, semiconductors and semiconductor equipment, internet software and services, IT services, electronic equipment, instruments and components. |
| Sector – Utilities  | S&P 500 Sector Utilities | measures the performance of companies that product, generate, transmit or distribute electricity, water or natural gas, and also includes power producers & energy traders and companies that engage in generation and distribution of electricity using renewable sources. |
| US Bonds | 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 Equity | S&P 500 | measures the performance of 500 leading companies in the US Constituents generally have a market-cap above $5 billion and represent approximately 80% of the investable market.  |
| US Growth | S&P 500 Growth | measures the performance of large-cap growth stocks in the US, which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion.  |
| US High Yield | Bloomberg US Corporate High Yield | measures the performance of USD-denominated, non-investment-grade, fixed-rate taxable corporate bonds. "High-yield" securities have the middle rating from Moody's, Fitch or S&P of Ba1/BB+/BB+ or below. Index excludes emerging market debt. |
| US Investment Grade Credit | Bloomberg US Corporate  | measures the performance of the investment-grade, fixed-rate, taxable corporate bond market. Includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers that meet specified maturity, liquidity and quality requirements. |
| 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. |
| US Short Treasuries | Bloomberg Barclays US Treasury 1-3 Year | measures the performance of short-term US Treasury bonds, including all publicly issued securities that have a remaining maturity of between one and three years, are: non-convertible, denominated in US dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value.  |
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1. <https://www.federalreserve.gov/newsevents/speech/powell20220826a.htm> [↑](#endnote-ref-1)
2. <https://www.reuters.com/markets/europe/futures-edge-higher-tech-stocks-rebound-private-jobs-data-tap-2022-08-31/> [↑](#endnote-ref-2)