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**Market Review**

Source: Zephyr Style Advisor

Despite escalating tensions in Europe due to the Russian invasion of Ukraine, international developed equities outperformed US and emerging markets. International developed equities were down 1.8%, while the US and emerging markets both fell by 3% during the month. US dividend stocks (-0.2%) led US equities for the month and are now up 1.1% for the year as investors searched for higher-quality companies generally associated with dividend payers amidst the volatility. Russia equities which are a small percentage (3.2%) of the emerging market index[[1]](#endnote-1), plummeted by 52.7% in February as a result of economic sanctions enforced by multiple governments and firms worldwide.

Within the S&P 500 sectors, energy had another strong month, up 7.1%, and is now up 27.6% for the year. Oil prices reached seven-year highs in February[[2]](#endnote-2), over supply concerns as Russia is the third-largest oil producer[[3]](#endnote-3). Reviewing equity styles, small cap stocks surprisingly outperformed larger companies in February while growth stocks continued to underperform their value counterparts.

Persistent inflation and expectations of multiple interest rate hikes weighed on US and international developed fixed income markets, and both were down 1.1% for the month**[[4]](#endnote-4).** Emerging market bonds were hit harder as investors fled to higher-quality debt amid the geopolitical crisis, returning -4.5% and -7.1% respectively in dollar terms. However, emerging market bond returns in local currencies fared better for the month (-2.1%) and year to date (-2.6%). US TIPS posted a modest gain of 0.9% in February, but the remaining major bond sectors lost ground during the month, led by corporate investment grade bonds (-2.0%) and long treasuries (-1.5%).

Commodities continued to rally as the broad index was up 6.2% in February. Within commodities, safe-haven investments like gold and silver were both up for the month, returning 5.8% and 8.6% respectively. After a stellar year in 2021, REITS have cooled off and continued to struggle in February, down 3.9% for the month and -11.5% for the year.

Relative to a globally balanced (60/40) equity/bond index, allocations to commodities, gold and global bonds helped while global equities and US REITs hurt for the month.

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 Investment Grade Credit | Bloomberg Barclays 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. | | 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. | | Silver | Bloomberg Silver Sub-index | is designed to measure the performance of silver as represented by the price of COMEX silver futures contracts. | | 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. | | Russia | MSCI Russia | is designed to measure the large and mid-cap segments of the Russian markets. With 23 constituents, the index covers approximately 85% of the free-float adjusted market capitalization in Russia. | | 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 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 Small Cap | S&P 600 | measures the performance of 600 small-sized companies in the U.S. Constituents generally have a market-cap between $400 million and $1.8 billion and meet criteria to ensure they are liquid and financially viable. | | US Dividend Equity | Dow Jones Select Dividend | measures 100 stocks selected on dividend yield, screened for: dividend-per-share growth rate, dividend payout ratio and average daily dollar trading volume. Constituents are weighted by indicated annual dividend. | | 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.etfstream.com/news/msci-considers-blanket-removal-of-russia-across-indices/#:~:text=Russia%20currently%20accounts%20for%20roughly,0.3%25%20of%20its%20global%20benchmarks. [↑](#endnote-ref-1)
2. [Oil Prices for Feb. 25, 2022: Brent Crude, WTI - Bloomberg](https://www.bloomberg.com/news/articles/2022-02-24/oil-advances-as-traders-mull-russia-sanctions-wti-brent-spread) [↑](#endnote-ref-2)
3. https://www.iea.org/reports/russian-supplies-to-global-energy-markets/oil-market-and-russian-supply-2 [↑](#endnote-ref-3)
4. [February 2022 Review and Outlook | Nasdaq](https://www.nasdaq.com/articles/february-2022-review-and-outlook) [↑](#endnote-ref-4)