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**Market Review**

Source: Zephyr Style Advisor

July was a strong month for equities, after a rough first half in 2022. Despite ongoing concerns of economic growth and inflation, the US (9.2%) had its best month since November 2020[[1]](#endnote-1), outperforming both international developed equities (5.0%) and emerging markets (-0.2%) in July The US rally can be attributed to corporate earnings, as 73% of S&P 500 companies reported actual earnings above estimates in July offsetting weak economic data.[[2]](#endnote-2) Emerging markets remained relatively flat during the month as China (-9.4%) continued to struggle with COVID-19 outbreaks.

Within the S&P 500, all eleven sectors were positive for the month. Consumer discretionary and technology led the gains, returning 18.9% and 13.5% in July, while defensive sectors like Healthcare and Consumer Staples were the weakest, returning 3.3% each. Energy (9.7%) had another strong month and is now up 44.7% for the year. Looking across size and style, large growth led large value again in July. Companies like Apple and Tesla, which both rallied over the month, are considered large growth companies (and part of the technology and consumer discretionary sectors) which helps explain outperformance across size, style, and sector.

Bonds reversed course during the month and saw gains across all major markets. The Fed (Federal Reserve) increased rates by 0.75% for the second consecutive time as inflation remained stubbornly high. Despite the interest rate hike, the overall bond market rally can be attributed to fears of a Fed induced recession causing potentially smaller and fewer rate hikes going forward. US fixed income was up 2.4% during the month, followed by emerging markets (2.1%) and international developed (1.9%). Across US bond sectors, corporate high yield (5.9%) was the top performer in July and had its best month since 2009[[3]](#endnote-3). TIPS (4.4%) and corporate investment grade bonds (3.2%) were also up in July. After 18 consecutive weeks of outflows, investment grade bonds saw its first week of positive inflows during the month[[4]](#endnote-4), which helped boost returns.

The broad commodity index was up 4.3% in July. Energy was once again the top contributor to the index up 12.4% during the month. Gold continued to struggle in July and fell by 2.3%. US REITs were up 8.5% in July and has its best month since December 2020[[5]](#endnote-5). All major sectors within real estate were up during the month, as quarterly earnings reports for REITs have so far been strong. The US dollar, which is considered a safe haven, gained 1.2% amid recession fears and is now up 10.4% year to date.

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

Source: Zephyr Style Advisor

INDEX DEFINITIONS

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| **Asset Class** | **Index** | **Definition** |
| China | MSCI China | measures the performance of large and mid-cap shares in China including: China H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). Index covers about 85% of the China equity universe. |
| 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 - Consumer Discretionary | S&P 500 Sector Consumer Discretionary | measures the performance of companies involved in industries such as: automobiles and components, consumer durables, apparel, hotels, restaurants, leisure, media, and retailing. |
| 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 - 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 - Healthcare | S&P 500 Sector Healthcare | measures the performance of companies involved in health care equipment and supplies, health care providers and services, biotechnology, and pharmaceutical industries. |
| 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. |
| 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 US'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. |
| 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 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 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 Treasury Inflation Protected Securities | Bloomberg US TIPS | measures the performance of inflation-protected securities issued by the US Treasury. |
| US Value | S&P 500 Value | measures the performance of value stocks in the US, which are identified by sales growth, price-to-earnings and momentum. Constituents generally have a market-cap above $5 billion. |

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1. [U.S. Equities Market Attributes July 2022 - Commentary | S&P Dow Jones Indices (spglobal.com)](https://www.spglobal.com/spdji/en/commentary/article/us-equities-market-attributes) [↑](#endnote-ref-1)
2. [S&P 500 Earnings Season Update: July 29, 2022 (factset.com)](https://insight.factset.com/sp-500-earnings-season-update-july-29-2022) [↑](#endnote-ref-2)
3. [Weekly fixed income commentary | 8/1/2022 | Nuveen](https://www.nuveen.com/en-us/insights/investment-outlook/fixed-income-weekly-commentary) [↑](#endnote-ref-3)
4. [Weekly fixed income commentary | 8/1/2022 | Nuveen](https://www.nuveen.com/en-us/insights/investment-outlook/fixed-income-weekly-commentary) [↑](#endnote-ref-4)
5. [After a Rough First Half, Publicly-Traded REITs Bounced Back in July (wealthmanagement.com)](https://www.wealthmanagement.com/reits/after-rough-first-half-publicly-traded-reits-bounced-back-july) [↑](#endnote-ref-5)