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**Market Review**

Source: Zephyr Style Advisor

Record high inflation, rising interest rates, and recession fears led equities lower in June. Emerging markets (-6.6%), outperformed both US (-8.3%) and international equities (-9.3%) during the month. Within emerging markets, Chinese equities gained 6.6% as COVID restrictions were gradually eased.[[1]](#endnote-1) US equities officially entered a bear market in June as the market fell 20% from its January 2022 peak.[[2]](#endnote-2) While 2022 has been challenging, US dividend stocks have suffered the least, down 6.7% year-to-date as investors have leaned into higher-quality names amid the uncertainty.

Within the S&P 500, all sectors were down in June. Defensive sectors like Consumer Staples struggled the least, down 2.5%. Recession worries hurt the energy sector in June, which fell 16.8% but remains the best performer for the year. Reviewing equity styles, growth stocks slightly outperformed value stocks this month. However, year-to-date value stocks have outpaced their growth counterparts as large value has outperformed large growth by over 15%.

Bonds once again struggled as the Fed raised interest rates by 75 bps during its June meeting, the largest rate hike since 1994.[[3]](#endnote-3) Within bonds, US fixed income was down 1.6% in June followed by international developed (-4.5%) and emerging markets (-4.6%) bonds. Across US bond sectors, short treasuries (-0.1%) was the top performer, and high yield (-6.7%) was the largest drag as recession fears caused flight to quality away from lower-quality bonds.

After a stellar run, the broad commodity index fell 10.8% in June. All major components in the index were down for the month. Energy, which was consistently a top contributor to the index, fell by 14.6% in June over recession fears. However, energy is still up 58.3% for the year. Gold continued to struggle in June and fell by 2.1%. The US dollar bounced back this month and returned 2.8% and is now up 9.1% for the year. Rising interest rates have been a key factor to the strong performance of the US dollar.[[4]](#endnote-4)

Relative to a globally balanced (60/40) equity/bond index, allocations to global bonds and gold helped, while global equities, commodities, and US REITs 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 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. | | 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. | | Gold | Bloomberg Sub Gold | measures the performance of futures contract on Gold and is quoted in USD. | | 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. | | 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 - 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. | | US Short Treasuries | Bloomberg 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. | | 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 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. | | Global 60/40 Index Blend | 60% MSCI ACWI, 40% BBG 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. | | 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. | |  |  |  | |  |  |  | |  |  |  | | | | |

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2. [July 2022 Stock Market Outlook – Forbes Advisor](https://www.forbes.com/advisor/investing/stock-market-outlook-and-forecast/) [↑](#endnote-ref-2)
3. [Fed Raises Rates by 0.75 Percentage Point, Largest Increase Since 1994 - WSJ](https://www.wsj.com/articles/fed-raises-rates-by-0-75-percentage-point-largest-increase-since-1994-11655316170) [↑](#endnote-ref-3)
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