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**Market Review**

Source: Zephyr Style Advisor

US equities bounced back in March after declining throughout the first two months of 2022. The US markets rose 3.7% in March, outperforming both international developed (0.8%) and emerging markets (-2.2%). The resiliency of the US can be attributed to investor optimism and record corporate profits[[1]](#endnote-1). Geopolitical tensions and a zero COVID policy in China continued to weigh on emerging and international developed markets, which are down -5.8% and -6.9% year-to-date, respectively. While broader emerging markets were down, commodity exporting regions like Brazil, were a bright spot, up 14.9% for the month.

Within the S&P 500 sectors, energy continued to rally, boosted by oil prices reaching a new 13-year high[[2]](#endnote-2), up 9.0% for the month and 39.0% for the year. Utilities (10.4%) and real estate (7.8%) rose after struggling in the first two months of 2022. Financials was the only sector down for the month (-0.2%). Reviewing equity styles, there was a switch in leadership from last month with large cap stocks outperforming small and growth outperforming value.

Bond markets fell for the third consecutive month, unable to shake inflation and rising interest rate headwinds. Emerging market bonds, down -2.3% in the month, outperformed US (-2.8%) and international developed (-3.2%) fixed income in March. The Federal Reserve embarked on its first interest rate hike since 2018 with additional hikes anticipated for 2022. The short-term bond yields (2-year Treasury) briefly rose above longer-term yields (30-year Treasury)[[3]](#endnote-3), a signal that bond investors generally view as bearish[[4]](#endnote-4). All major bond sectors declined in March, led by long treasuries (-5.3%) and Municipals (-3.2%).

Broad commodities continued to rally, up 8.6% in March and 25.5% for the year. Within commodities, energy has continued its hot streak, up 16.1% for the month and 47.9% for the year, prompted by ongoing conflicts in Ukraine. After a steep decline in January and February, US REITS turned a corner and rose 7.0% in March. Gold and the US dollar, traditional safe-haven investments gained 2.7% and 1.6% respectively during the month.

Relative to a globally balanced (60/40) equity/bond index, allocations to commodities, gold, global equities and US REITs helped, while global bonds 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 - Real Estate | S&P 500 Sector Real Estate | measures the performance of companies from the following industries: real estate management & development and REITS, excluding mortgage REITS. | | Sector - Financials | S&P 500 Sector Financials | measures the performance of companies in an array of diversified financial service firms, insurance, banks, capital markets, consumer finance and thrift companies. | | 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. | | Brazil | MSCI Brazil | is designed to measure the large and mid-cap segments of the Brazilian markets. With 56 constituents, the index covers approximately 86% of the free-float adjusted market capitalization in Brazil. | | 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. | | 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://fortune.com/2022/03/31/us-companies-record-profits-2021-price-hikes-inflation/ [↑](#endnote-ref-1)
2. https://www.cnbc.com/2022/03/06/us-crude-oil-jumps-to-125-a-barrel-a-13-year-high-on-possible-western-ban-of-russian-oil.html [↑](#endnote-ref-2)
3. FactSet [↑](#endnote-ref-3)
4. https://www.reuters.com/business/global-markets-wrapup-1-2022-03-30/ [↑](#endnote-ref-4)