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**Market Review**

Source: Zephyr Style Advisor

Equity markets saw steep declines in September as core inflation came out hotter than expected, signaling the Federal Reserve may have to continue raising interest rates for longer than expected. US equities declined 9.2% in September. This was the index's worst September since 2008 and the first three straight quarters of negative returns since 2009[[1]](#endnote-1). International developed and emerging market equities dipped even further, falling 9.3% and 11.7% respectively, as regional challenges in U.K., China, and a strong dollar dragged down returns.

All sectors in the S&P 500 saw negative performance for the month. Healthcare, a historically defensive sector, was the best performer, falling just 2.6%. The worst performers were Real Estate (-13.2%), Communication Services (-12.2%), and Technology (-12.0%), all sectors more sensitive to the business cycle. Even the year's only positive sector, Energy, saw a decline of 9.3% in September, bringing its year-to-date return to 34.9%. Across equity styles and size, September's results were poor across the spectrum, with no place to hide and no clear winner.

Bonds continue to be challenged by rising interest rates and inflation. Short-term treasuries were the only bond class to post a positive return (0.1%) as investors retreated to safety from market and interest rate risk. Longer-term Treasuries, which have the greatest sensitivity to interest-rate changes, were the hardest hit and fell 7.9%. Inflation-protected securities TIPS fell 6.6% as interest rates rose, and inflation expectations came in weaker than anticipated. US bonds continue to outperform international bonds as foreign currencies further weaken relative to the dollar.

While broad commodities remain positive for 2022, the index fell 8.1% for September. Energy was the largest detractor, while grains posted positive returns as supply remained constrained due to the war in Ukraine. REITs maintain their position as one of the worst performing asset class year-to-date, with US REITs declining 12.7% and Global ex-US REITs declining 13.0% in September. Global recession worries and higher interest rates in the U.S. have sent the US dollar soaring, which gained 3.6% in September and 17.6% for the year.

The Global 60/40 portfolio declined 7.8% in September. Equities, REITs, and commodities fared worse than the balanced portfolio, while bonds and gold held up better.

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 (E.M.) 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  Global Aggregate | measures the performance of a blend of global equities and global bond indexes used as a benchmark for balanced portfolios. |
| Global Equity  Global ex-US Real Estate | MSCI ACWI  DJ Global ex U.S.  Select REIT | measures large- and mid-cap equity performance of developed and emerging markets. Represents approximately 85% of the global equity investment universe.  measures the performance of publicly traded international real estate securities, such as real estate investment trusts (REITs) and real estate operating companies. |
| International Developed Equity  Sector – Communication Services | MSCI EAFE  S&P 500 Sector Communication Services | measures the equity performance of countries considered to represent developed markets, excluding the U.S. and Canada.  measures the performance of companies from the media, retailing, and software & services industries in the U.S |
| 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, I.T. services, electronic equipment, instruments and components. |
| U.S. Dollar | U.S. Dollar Index | measures the value of the U.S. 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. |
| U.S. 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. |
| US Long Treasuries  U.S. Short Treasuries  U.S. Treasury Inflation Protected Securities (TIPS) | Bloomberg US Treasury Long  Bloomberg U.S. Treasury 1-3 Year  Bloomberg US TIPS | measures the performance of long-term U.S. Treasury bonds, including all publicly issued securities that have a remaining maturity of ten or more years, are: non-convertible, denominated in U.S. dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value.  measures the performance of short-term U.S. Treasury bonds, including all publicly issued securities that have a remaining maturity of between one and three years, are: non-convertible, denominated in U.S. dollars, rated investment-grade, fixed-rate and have $250 or more of outstanding face value.  measures the performance of inflation-protected securities issued by the U.S. Treasury. |
| 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 U.S. economy. The index series provides investors with exposure to all investment and property sectors. |
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1. <https://www.forbes.com/sites/dereksaul/2022/09/30/dow-closes-worst-september-in-20-years-stocks-plunge-as-bear-market-roars/?sh=5f18c74b6f8e> [↑](#endnote-ref-1)