Market Commentary: Q1 2022

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Big Picture

Over the past four decades, U.S. investors have experienced declining interest rates, benign inflation, globalization of trade, and relative stability among the world's superpowers. During the first quarter of 2022 those trends were upended as markets were faced with rising interest rates, spiking inflation, ongoing supply-chain snarls, and a land-war in Europe. Stocks and bonds alike slumped.

Returns % as of 03/31/22

Index	1 Mo	3 Mo	YTD	1 YR	3 YR	5 YR	10 YR
US Equity							
S&P 500 TR USD	3.71	-4.60	-4.60	15.65	18.92	15.99	14.64
DJ Industrial Average TR USD	2.49	-4.10	-4.10	7.11	12.57	13.40	12.77
NASDAQ Composite TR USD	3.48	-8.95	-8.95	8.06	23.57	20.31	17.77
International Developed Markets							
MSCI World ex USA NR USD	1.16	-4.81	-4.81	3.04	8.55	7.14	6.25
Emerging Markets Equity							
MSCI EM NR USD	-2.26	-6.97	-6.97	-11.37	4.94	5.98	3.36
US Fixed Income							
BBgBarc US Agg Bond TR USD	-2.78	-5.93	-5.93	-4.15	1.69	2.14	2.24
Global Fixed Income							
BBgBarc Global Aggregate TR USD	-3.05	-6.16	-6.16	-6.40	0.69	1.70	1.04

Source: Morningstar. Past performance does not guarantee future results. All data is from sources believed to be reliable but cannot be guaranteed or warranted. Please see disclosure at the end of commentary for limitations to index performance.

Equities

Despite a strong rally in March, equity markets faced a turbulent quarter, ending down across the board.

- **US markets**, as defined by the S&P 500, led by technology stocks, finished the quarter down 4.6%.
- **International** performance was also disappointing in Q1.
- **Emerging Market stocks** continued to struggle, buffeted by swings in commodity prices.[1]

Fixed income

Fixed income performance for the quarter across markets was strongly down.

- **The Bloomberg U.S. Aggregate bond index**—largely U.S. Treasury's, highly rated corporate bonds and mortgage-backed securities—suffered the biggest quarterly loss since 1980.
- **The Bloomberg Barclays Global Aggregate Index**, representing bonds from both developed and emerging markets, ended down over 6% for the quarter.[2]

[1] Morningstar Direct, as of Apr 1, 2022

[2] Morningstar Direct, as of Apr 1, 2021

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Factors

Exposure to investment risk factors were a mixed bag for the quarter. In both the US and International Developed Markets, Value and Minimum Volatility were positive contributors. While in the Emerging Markets, Value, Minimum Volatility, and Small Caps outperformed, as defined by MSCI Factor Indices.[3]

NEWS Impacting Markets

Russia's invasion of Ukraine

At the end of February, Russia invaded its neighbor Ukraine. The west's response has been a weaponization of economics with unprecedented levels of financial sanctions, and the fallout has been extraordinary. While the sanctions have been mostly targeted, collateral damage is already being felt around the world in the form of exacerbated supply-chain disruptions and by driving up prices of key commodities.

Economic Recovery

The recovery of the US Labor market continues at a robust pace. According to the Bureau of Labor Statistics, employers added 431,000 jobs in March, extending the streak of 11 straight months of job gains above 400,000, the longest such stretch of growth in records dating back to 1939.

Inflation reached a new 40-year peak in February, buoyed by a tight labor market, ongoing supply problems and strong U.S. consumer demand. The Fed responded by raising its benchmark short-term rate by a quarter percentage point and have indicated a series of rate rises this year are anticipated.

Yield Curve Inversion

At the end of the quarter, the term structure of interest rates had flirted with becoming inverted, meaning that the short-term rates were edging higher than the long-term rates. Historically, investors have viewed an inverted yield curve as a good predictor of a recession. Over the past 40 years an inverted 10/2 curve has preceded the last eight recessions, and 10 out of the last 13 recessions. Today's inverted curve doesn't necessarily mean tomorrow's recession, but market participants are closely monitoring it.

Final Thoughts

Markets can be sensitive to changes in interest rates, inflationary pressures, and geopolitical events, but prices quickly adjust to incorporate the impact of these events on economies and companies. Broad-based diversification across geographies, investment vehicles, asset classes, risk factors, etc. are what we believe to be the best way to build a robust all-weather portfolio that allows investors to stay the course during the more turbulent periods and reap the long-term rewards markets have provided over time.

[3] Morningstar Direct, as of Apr 1, 2021

Disclosures

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Courtesy of Symmetry Partners, LLC.

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Index Disclosure and Definitions All indexes have certain limitations. Investors cannot invest directly in an index. Indexes have no fees. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance. Actual performance for client accounts may differ materially from the index portfolios.

S&P 500 Index represents the 500 leading U.S. companies, approximately 80% of the total U.S. market capitalization. **Dow Jones Industrial Average (DJIA)** Is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the NASDAQ. **The Nasdaq Composite Index (NASDAQ)** measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market, and includes over 2,500 companies. **MSCI World Ex USA GR USD Index** captures large and mid cap representation across 22 of 23 developed markets countries, excluding the US. The index covers approximately 85% of the free float-adjusted market capitalization in each country. **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets (as defined by MSCI). The index consists of the 25 emerging market country indexes. **Bloomberg Barclays US Aggregate Bond Index** measures the performance of the U.S. investment grade bond market. The index invests in a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States – including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year. **Bloomberg Barclays Global Aggregate (USD Hedged) Index** is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. Index is USD hedged.