Segal Marco Advisors

333 West 34th Street
New York, NY 10001-2402
T 212.251.5000
F 212.251.5490
segalmarco.com

Markets Update

March 2022

The story for the quarter was inflation, or really stagflation fears, with government bonds having their worst quarter since 1973 (down about 5.6%). Meanwhile, stocks rebounded toward the end of the quarter but still finished lower. The war in Ukraine enters its second month but markets seemed focused on looking through the geopolitical issues and on to the outlook for growth, inflation, and interest rates. Energy security is now a priority around the world for obvious reasons, as is supply chain integrity, especially related to minerals. As a result, commodities are the best performing assets year to date.

	March	Q1 2022	YTD 2022
EQUITIES			
S&P 500	3.7%	-4.6%	-4.6%
Russell 3000	3.2%	-5.3%	-5.3%
Russell 1000	3.4%	-5.1%	-5.1%
Russell 1000 Growth	3.9%	-9.0%	-9.0%
Russell 1000 Value	2.8%	-0.7%	-0.7%
Russell Midcap	2.6%	-5.7%	-5.7%
Russell 2000	1.2%	-7.5%	-7.5%
Russell 2000 Growth	0.5%	-12.6%	-12.6%
Russell 2000 Value	2.0%	-2.4%	-2.4%
MSCI EAFE	0.9%	-5.7%	-5.7%
MSCI Emerging Markets	-2.3%	-7.0%	-7.0%
FIXED INCOME*			
U.S. Aggregate	-2.8%	-5.9%	-5.9%
U.S. Treasury	-3.1%	-5.6%	-5.6%
U.S. 1-3 Year Treasury	-1.4%	-2.5%	-2.5%
U.S. TIPS	-1.9%	-3.0%	-3.0%
U.S. Intermediate Gov/Credit	-2.4%	-4.5%	-4.5%
U.S. Gov/Credit	-2.8%	-6.3%	-6.3%
U.S. Long Gov/Credit	-3.9%	-11.0%	-11.0%
U.S. Investment Grade Credit	-2.5%	-7.4%	-7.4%
U.S. High Yield	-1.1%	-4.8%	-4.8%
Global Aggregate (USD)	-3.0%	-6.2%	-6.2%
Emerging Markets (USD)	-2.3%	-9.2%	-9.2%

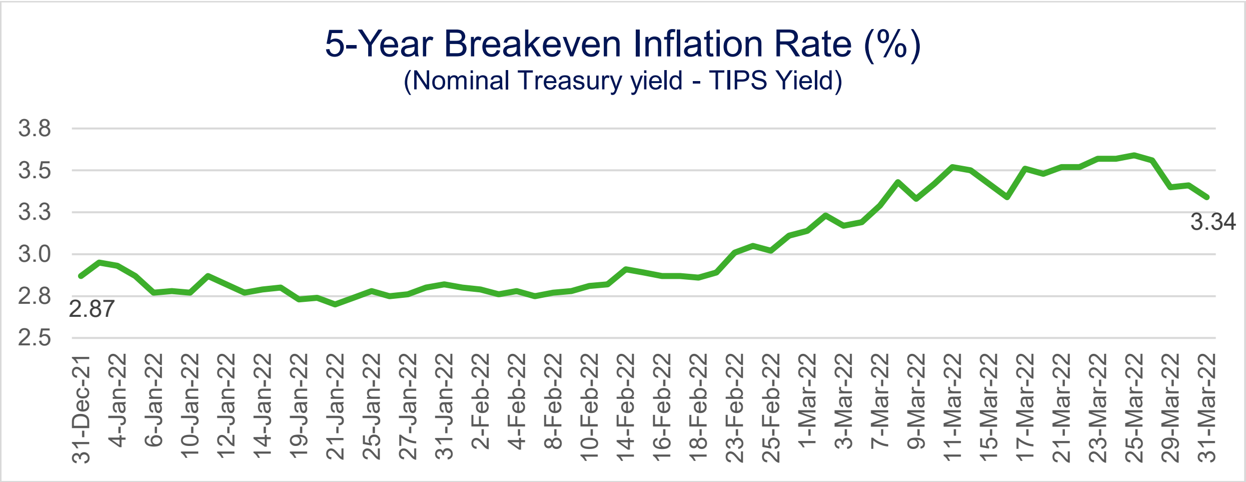
COMMODITIES			
Bloomberg Commodity	8.6%	25.5%	25.5%

Source: S&P, Russell, MSCI, Bloomberg. **Bloomberg Indices*

Inflation and the Fed

Inflation concerns have led the Federal Reserve to accelerate its response. The Fed hiked the fed funds rate a quarter point in March and strongly signaled many more rate increases to come. The Federal Open Market Committee's own projections, at the median, suggest a fed funds rate of 1.9% at year end and are telegraphing hikes at each of the six remaining meetings this year, with larger half point increases not ruled out. Inflation breakeven rates, a measure of the bond market's expectation for inflation, increased by over 0.5% for the next five years.

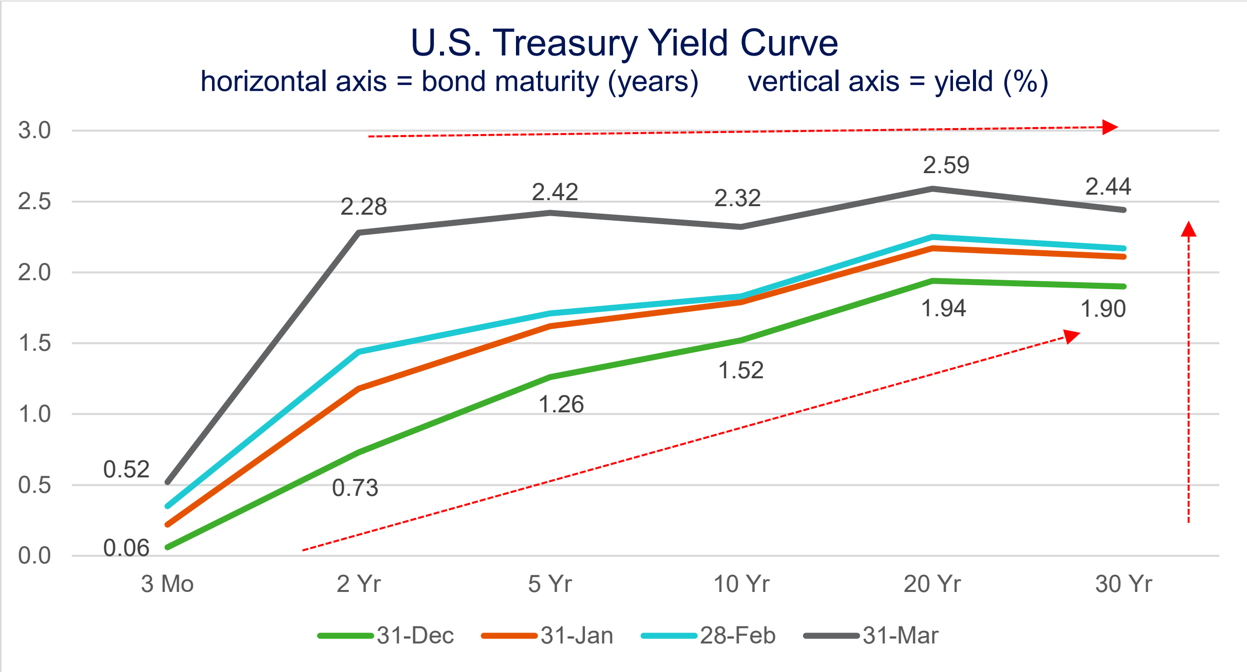
Source: Federal Reserve Economic Data



Source: Federal Reserve Economic Data

Fixed Income

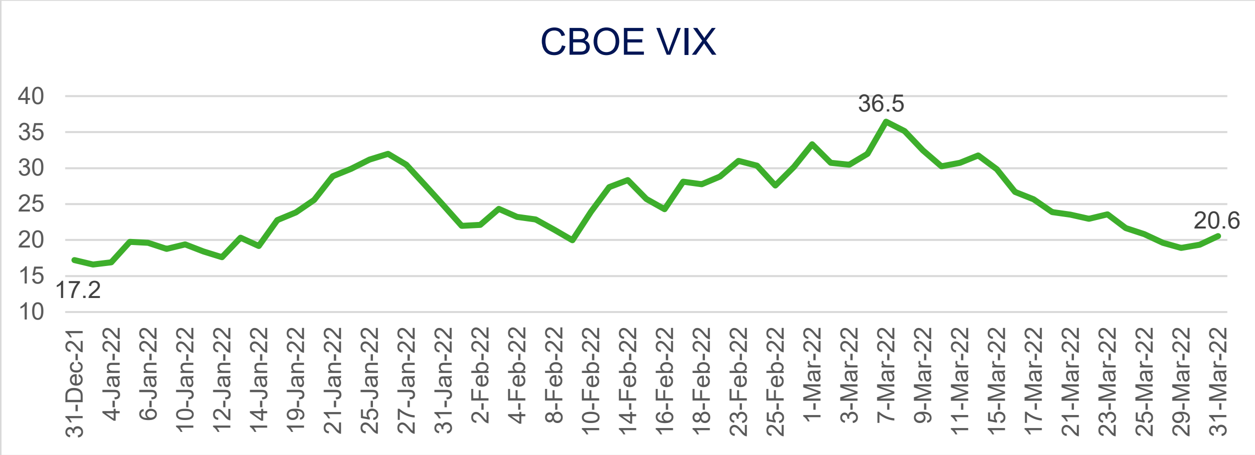
The yield curve continued to flatten throughout the quarter. Inversion in the curve appeared (and disappeared), which historically has signaled a recession sometime in the next twelve to eighteen months. High yield and Treasury Inflation Protected securities were the best performers for the month, down only -1.1% and -1.9% respectively, and only shorter duration bonds performed better during the quarter.



Source: U.S. Department of the Treasury

Equities

Volatility diminished during the month of March and the VIX now stands close to year-end levels.



Source: Federal Reserve Economic Data

Amidst this more sanguine backdrop, stocks rebounded, and the S&P 500 was positive (+3.7%) for the month of March. That strong performance helped pull the quarterly return up to -4.6%. Given that stocks had been down as much as -12% during quarter, it was a significant rebound. Small cap stocks lagged large cap stocks. Value outperformed in the quarter, but growth staged a rebound late in March. As fear of stagflation entered the markets, the best performing economic sectors in the quarter were energy (+38%) and utilities (+4%).

Outside of the U.S., markets also stabilized. Developed non-U.S. markets returned 0.9% in the month of March and were down -5.7% for the quarter. Like the U.S. markets, defensive and energy related sectors were the best performers. Emerging markets were still negative in the month (-2.3%) mostly due to continued poor performance from China (-8%). Other markets, especially commodity exporting countries like Brazil, were positive (+15% for the month and +36% for the quarter).

The outlook for growth, interest rates and inflation remain cloudy. As a result, maintaining a diversified portfolio and utilizing active management in targeted areas will provide opportunities to take advantage of this uncertain outlook.

Segal Marco Advisors