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Markets Update

November 2022

Green on the Screen!

A reprieve? A start to a recovery in the markets? Wish we knew with certainty. But a positive month for both stocks and bonds in November is worthy of an early holiday celebration.

The S&P 500 stock index (+5.6%) and Bloomberg U.S. Aggregate bond index (+3.7%) both benefitted from a building consensus that peak inflation has passed, and the Federal Reserve will begin downshifting the magnitude of future interest rate hikes.

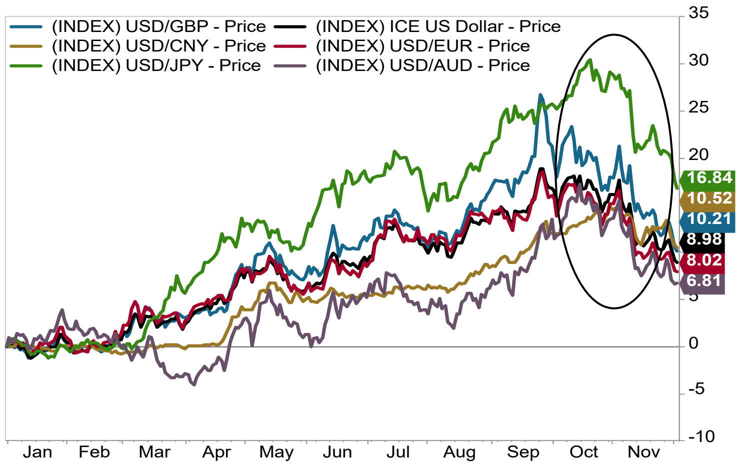
	November	YTD 2022
STOCKS		
S&P 500	5.6%	-13.1%
Russell 3000	5.2%	-14.2%
Russell 1000	5.4%	-14.1%
Russell 1000 Growth	4.6%	-23.3%
Russell 1000 Value	6.2%	-3.7%
Russell Midcap	6.0%	-12.6%
Russell 2000	2.3%	-14.9%
Russell 2000 Growth	1.6%	-21.3%
Russell 2000 Value	3.1%	-8.5%
MSCI EAFE	11.3%	-14.5%
MSCI Emerging Markets	14.8%	-19.0%
BONDS*		
U.S. Aggregate	3.7%	-12.6%
U.S. Treasury	2.7%	-12.0%
U.S. 1-3 Year Treasury	0.7%	-4.0%
U.S. TIPS	1.8%	-10.9%
U.S. Intermediate Gov/Credit	2.2%	-8.1%
U.S. Gov/Credit	3.6%	-13.2%
U.S. Long Gov/Credit	8.1%	-26.1%
U.S. Investment Grade Credit	5.0%	-14.9%
U.S. High Yield	2.2%	-10.6%
Global Aggregate (USD)	4.7%	-16.7%
Emerging Markets (USD)	6.6%	-16.0%
COMMODITIES		
Bloomberg Commodity	2.7%	19.0%

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

Stocks

In a change of direction from earlier in the year, non-U.S. stocks outperformed U.S. stocks in the month, with the developed international index up 11.3% and emerging markets up 14.8%. A decline in the dollar as the risk on environment took hold helped non-US performance as did bargain hunting and smaller (relative) gains in inflation (see chart below). In emerging markets, a rebound in China (+29.7%) during the month amidst hopes of Covid lockdowns easing, contributed to gains in the index.

Stateside, value stocks (+6.2%) outperformed growth stocks (+4.6%) again, with a year-to-date performance differential of nearly 20%. While the focus has been on inflation and the Fed for the entirety of this year, at least some of the market's attention is beginning to turn to the resilience of the U.S. labor market and the outlook for the economy and corporate earnings. As a result, differentiation in stock performance was apparent (positive earnings, positive stock performance and vice versa).



Source: Factset

Bonds

Following yet another 75-basis point rate hike in November, recent Fed-official rhetoric has hinted at potentially less aggressive rate hikes moving forward. As a result, bond markets across the board responded positively. Investment grade credit (+5.0%) outperformed Treasuries (+2.7%) and long Government/Credit index was the leader in the month (8.1%), as interest rates dropped across the yield curve. With interest rates materially higher than at the beginning of the year, bonds now offer a more compelling source for portfolio return.

Looking Ahead

Yield curve inversion intensified in November (the 2-year Treasury yield stood at 4.37% at month-end while the 10-year yield was 3.70%), signaling ongoing concern from the bond markets that economic stresses are picking up and that inflation may continue to moderate. While markets were clearly encouraged by the prospect of less aggressive Fed interest rate hikes, “how high” and “how long” remain open questions for the Federal Funds Rate. We continue to wade in largely unchartered territory and without clarity on what this period of tightening monetary policy will ultimately mean for the economy. Meanwhile, the broad U.S. stock market has nearly halved its year-to-date losses since the end of September and has generated a positive return since the end of June.

We hope you and your families have a wonderful holiday season!

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