

April 2022

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 4/30/2022

## Global Overview

Global equity markets continued to be fraught with inflation concerns in April as Russia's ongoing invasion of Ukraine and associated sanctions by the West continued to strain the global supply of many key commodities while renewed COVID lockdowns in China added to lingering supply chain issues. All broad based markets sold off in April with the S&P 500 Index down 8.7%, the MSCI EAFE Index down 6.5%, and MSCI EM Index down 5.6%.

## U.S. Markets & Economy

The U.S. equity market stumbled during April due to ongoing concerns regarding rising inflation, the Fed's looming rate hikes, and escalating tensions between the West and Russia. First quarter U.S. GDP contracted at an annual rate of 1.4% due to a growing trade deficit and declining inventory growth, while personal consumption was the lone bright spot, increasing 2.7% during the quarter. Trade subtracted 3.2% from overall GDP growth as exports abruptly dropped and imports spiked, demonstrating U.S. consumer demand still exceeds the rest of the world. Despite first quarter earnings thus far generally coming in better than expected, the ISM Manufacturing PMI fell to 55.4 in April from 57.1 in March and consumer sentiment was revised lower to 65.2 in April from a preliminary mark of 65.7 as consumers are losing confidence in economic policies as the mid-term Congressional election approaches. The S&P 500 Index declined 8.7% in April and was down 12.9% year-to-date. Value indexes continued to outperform their growth counterparts as seen with the Russell 2000 Value Index declining 7.8% in April as compared to the Russell 2000 Growth Index's more substantial 12.3% decline.

The fixed income market is vigilantly anticipating future Fed rate hikes as March Headline CPI reported a rise of 8.5% year-over-year as compared to the 7.9% increase in February. Excluding the volatile food and energy sectors, CPI rose 6.5%. As a result, the Fed fund futures are pricing in 50 bps rate hikes at each of the next four Fed meetings with an expected rate of 2.75% by year end 2022. The Bloomberg U.S. Aggregate Index declined 3.8% in April and is down 9.5% year-to-date. Only a few indices were able to produce positive returns during this volatile month, including the S&P/LSTA Leveraged Loan Index with a 0.2% return in April and the Bloomberg Commodity TR USD Index posting a positive 4.1% during the month.

## International Markets & Economy

The Russia-Ukraine conflict has put further pressure on Europe as the Euro weakens, pushing the Eurozone countries into slow to negative GDP growth. Consumer confidence continues to decline due to high inflation and talks of a recession contributing to the MSCI Europe Index's decline of 5.8% last month. Prices and economic stability were further threatened when Germany, who was once the biggest dissenter of the EU's Russian oil ban, proclaimed they are ready to stop buying Russian oil in order to weaken the already struggling Russian economy. These proposed sanctions on Russian crude imports will be phased in over six months. In addition, Federal Reserve interest rate hikes have historically had a negative impact on emerging market equity performance due to the fear of the higher interest rate environment slowing consumption and capital growth. Performance during the last month reflects this slowing of GDP growth as the MSCI EM Index was down 5.6%. Although China's economic growth was strong in the first quarter, growing 4.8%, headwinds from renewed COVID lockdowns suggest slowing growth. As a result, the MSCI China Index declined 4.1% in April, with a loss of 17.7% year-to-date.

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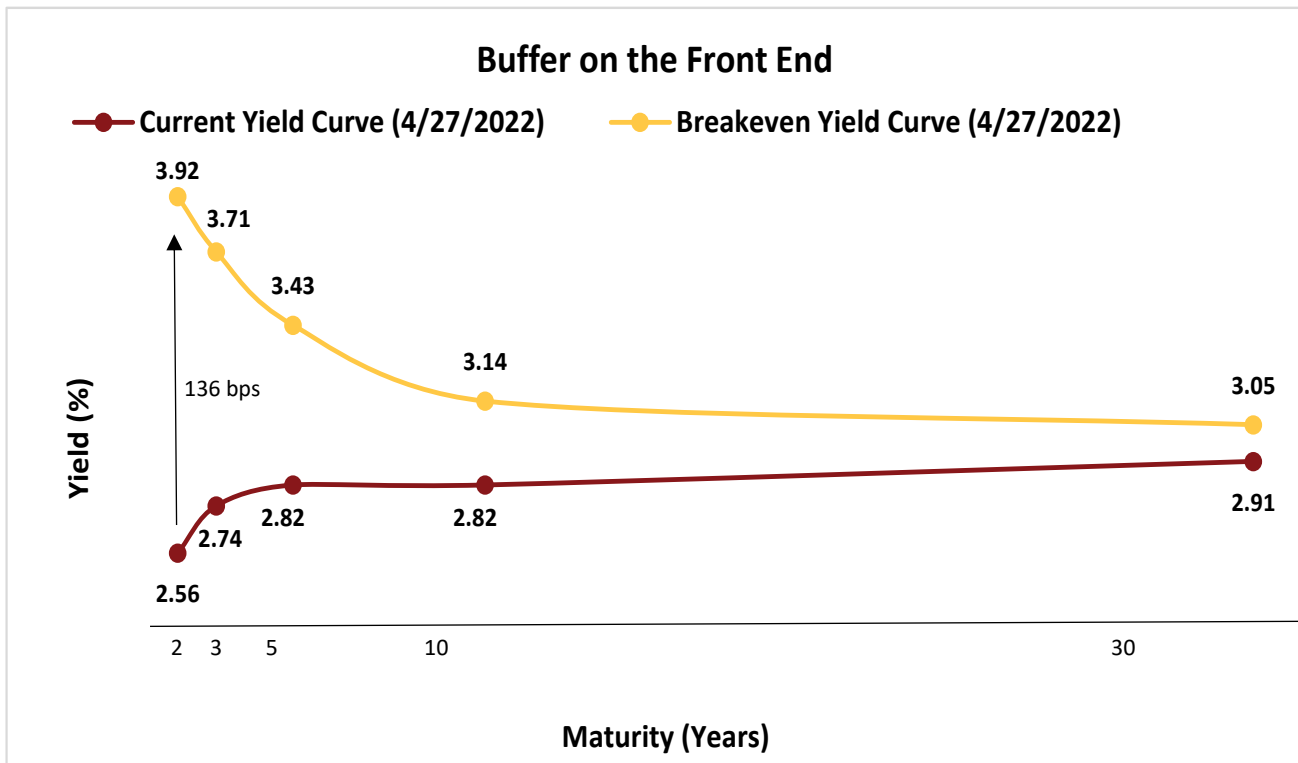
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## In the News

With Headline CPI reporting inflation at 8.5% in March and Federal Reserve Chairman Jerome Powell openly stating during a panel discussion in mid-April, “We’re going to be raising rates and getting expeditiously to levels that are more neutral, and then that are actually tightening policy if that turns out be appropriate,” we thought it might be helpful to look at the current fixed income yield curve. In the Chart of the Month below, the current yield curve is highlighted in red. The breakeven yield curve is highlighted in yellow, this reflects each point along the yield curve where losses from falling prices (due to rate hikes) offset current income, resulting in a negative total return. For instance, the yield of the two-year U.S. Treasury could increase 136 basis points over the next 12 months before the falling price would fully offset income generated over the year. Since prices are more volatile as you go out the yield curve, the “buffer” is much smaller as you approach 10 to 30-year U.S. Treasuries. This is one reason why it is best to maintain a shorter duration in a rising interest rate environment, price movements are much less volatile and it take more rate increases to offset the security’s current income.

## Chart of the Month



Source: U.S. Department of the Treasury, Goldman Sachs

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## Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(8.31)	(8.17)	(13.03)	(3.52)	10.41	10.17	10.05
	BBgBarc US Agg Bond TR USD	(3.79)	(7.51)	(9.50)	(8.51)	0.38	1.20	1.73
	Russell 3000 TR USD	(8.97)	(8.39)	(13.78)	(3.11)	13.11	13.01	13.29
	DJ Industrial Average TR USD	(4.82)	(5.67)	(8.73)	(0.82)	9.77	11.96	12.20
	NASDAQ Composite PR USD	(13.26)	(13.38)	(21.16)	(11.66)	15.07	15.32	15.01
	MSCI EAFE NR USD	(6.47)	(7.53)	(12.00)	(8.15)	4.44	4.77	5.77
	FTSE Treasury Bill 3 Mon USD	0.03	0.05	0.06	0.08	0.71	1.09	0.61
Bloomberg Commodity TR USD	4.14	20.19	30.75	43.53	17.87	10.22	(0.26)	
Domestic Equities	S&P 500 TR USD	(8.72)	(8.17)	(12.92)	0.21	13.85	13.66	13.67
	S&P MidCap 400 TR	(7.11)	(4.77)	(11.64)	(7.03)	9.91	9.29	11.40
	S&P SmallCap 600 TR USD	(7.81)	(6.18)	(12.99)	(8.54)	9.15	8.91	11.79
	Russell 1000 TR USD	(8.91)	(8.42)	(13.59)	(2.10)	13.57	13.44	13.53
	Russell 1000 Growth TR USD	(12.08)	(12.52)	(20.03)	(5.35)	16.68	17.28	15.56
	Russell 1000 Value TR USD	(5.64)	(4.10)	(6.34)	1.32	9.58	9.06	11.17
	Russell Mid Cap TR USD	(7.70)	(6.02)	(12.94)	(6.10)	10.48	10.66	11.99
	Russell Mid Cap Growth TR USD	(11.26)	(10.93)	(22.42)	(16.73)	8.72	12.06	12.17
	Russell Mid Cap Value TR USD	(5.94)	(3.54)	(7.65)	(0.00)	10.19	8.61	11.40
	Russell 2000 TR USD	(9.91)	(7.82)	(16.69)	(16.87)	6.73	7.24	10.06
	Russell 2000 Growth TR USD	(12.27)	(11.48)	(23.35)	(26.44)	4.14	7.08	9.95
Russell 2000 Value TR USD	(7.76)	(4.40)	(9.97)	(6.59)	8.38	6.75	9.81	
International Equities	MSCI ACWI Ex USA NR USD	(6.28)	(7.99)	(11.38)	(10.31)	4.30	4.94	5.04
	MSCI EAFE NR USD	(6.47)	(7.53)	(12.00)	(8.15)	4.44	4.77	5.77
	MSCI EAFE Growth NR USD	(8.00)	(9.49)	(18.99)	(13.02)	5.63	6.50	6.66
	MSCI EAFE Value NR USD	(5.06)	(5.72)	(4.74)	(3.53)	2.64	2.68	4.65
	MSCI Japan NR USD	(8.80)	(10.28)	(14.83)	(13.39)	3.13	3.95	5.83
	MSCI AC Asia Ex Japan NR USD	(5.16)	(9.95)	(12.74)	(21.01)	2.65	5.17	5.19
	MSCI Europe NR USD	(5.75)	(8.51)	(12.69)	(6.69)	4.88	4.93	5.89
	MSCI United Kingdom NR USD	(3.69)	(2.80)	(1.93)	4.84	3.25	4.28	3.96
	MSCI EAFE Small Cap NR USD	(6.86)	(8.08)	(14.81)	(13.71)	4.93	5.02	7.59
MSCI EM NR USD	(5.56)	(10.45)	(12.15)	(18.33)	2.24	4.32	2.89	
Fixed Income	BBgBarc US Govt/Credit TR USD	(3.96)	(7.79)	(10.04)	(8.47)	0.74	1.45	1.90
	BBgBarc US Govt/Credit Interm TR USD	(2.00)	(5.02)	(6.42)	(6.48)	0.75	1.27	1.55
	BBgBarc US Govt/Credit Long TR USD	(9.30)	(15.07)	(19.23)	(13.81)	1.03	2.26	3.38
	ICE BofA US High Yield TR USD	(3.64)	(5.39)	(7.99)	(4.96)	2.64	3.56	5.20
	Credit Suisse HY USD	(3.52)	(5.11)	(7.54)	(4.77)	2.53	3.42	5.02
	S&P/LSTA Leveraged Loan TR	0.22	(0.25)	0.11	2.95	3.73	3.97	4.24
	FTSE WGBI NonUS USD	(6.41)	(8.02)	(12.01)	(16.46)	3.59	4.93	5.51
	BBgBarc Gbl Agg Ex USD TR	(6.41)	(8.02)	(12.01)	(16.46)	3.59	4.93	5.51
REITs	FTSE Nareit All REITs TR	(4.03)	(1.46)	(9.06)	8.69	9.56	9.20	9.58
	Wilshire US REIT TR USD	(4.54)	(1.40)	(8.24)	14.11	10.29	9.03	9.07

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

Source: Morningstar

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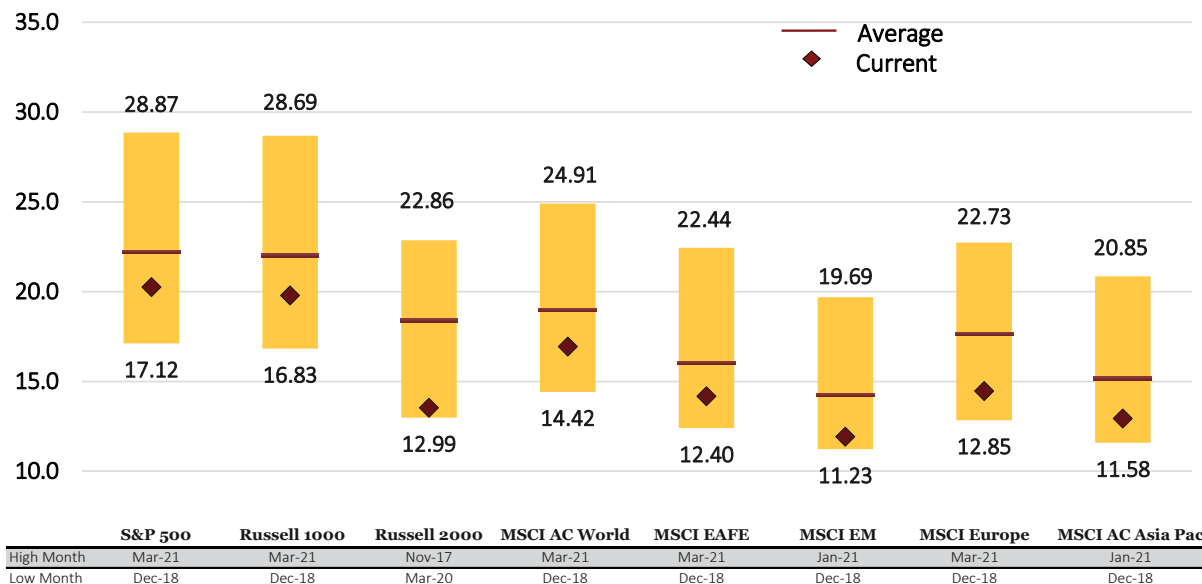
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## Current Trailing P/E vs. Trailing 5-Year High, Low, Average



Source: Morningstar

## Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates <sup>3</sup> per US \$		Inflation <sup>2</sup>
	Latest <sup>1</sup>	2022 <sup>1</sup>	2023 <sup>1</sup>	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
<b>United States</b>	-1.40	3.70	2.40	3.60	2.92	-	-	6.50
<b>China</b>	1.30	5.10	5.10	5.80	2.84	6.61	6.47	1.10
<b>Japan</b>	1.10	3.40	1.10	2.60	0.23	129.84	108.94	0.80
<b>United Kingdom</b>	1.30	4.70	2.10	3.80	1.95	1.26	1.40	5.70
<b>Euro Area</b>	0.20	4.30	2.50	6.80	1.05	1.05	1.21	3.50
<b>Germany</b>	0.20	4.10	2.40	5.00	0.96	1.05	1.21	3.40
<b>France</b>	0.00	4.20	2.10	7.40	1.47	1.05	1.21	2.50
<b>Italy</b>	-0.20	4.60	2.60	8.30	2.87	1.05	1.21	1.90
<b>Canada</b>	1.60	3.90	2.80	5.30	2.92	1.28	1.23	5.50
<b>India</b>	1.84	8.10	5.50	7.80	7.12	76.17	74.52	6.95
<b>Mexico</b>	0.90	3.30	2.50	3.00	9.08	20.36	20.11	6.78
<b>Brazil</b>	0.50	1.40	2.10	11.10	12.45	4.93	5.36	9.23

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2022 & 2023 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

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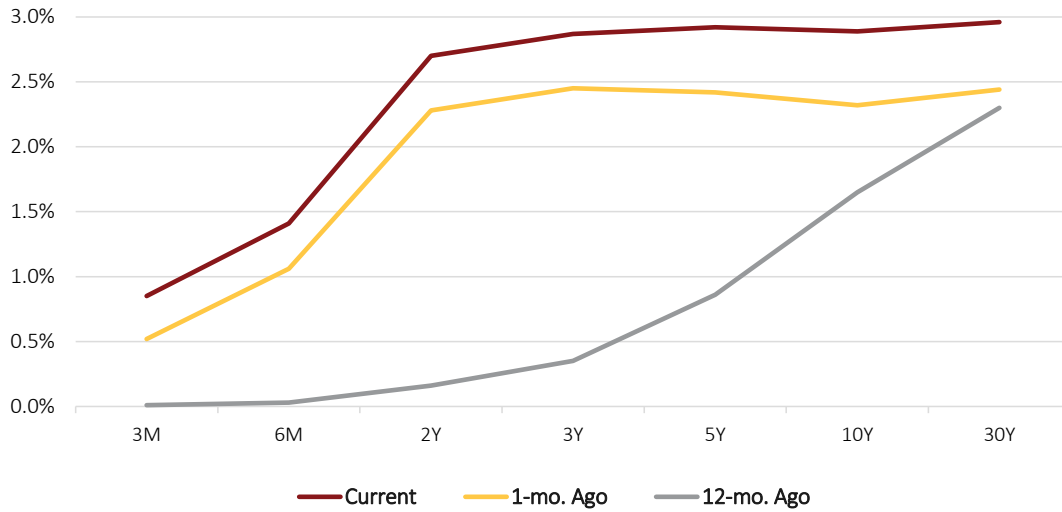
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## U.S. Treasury Yield Curves

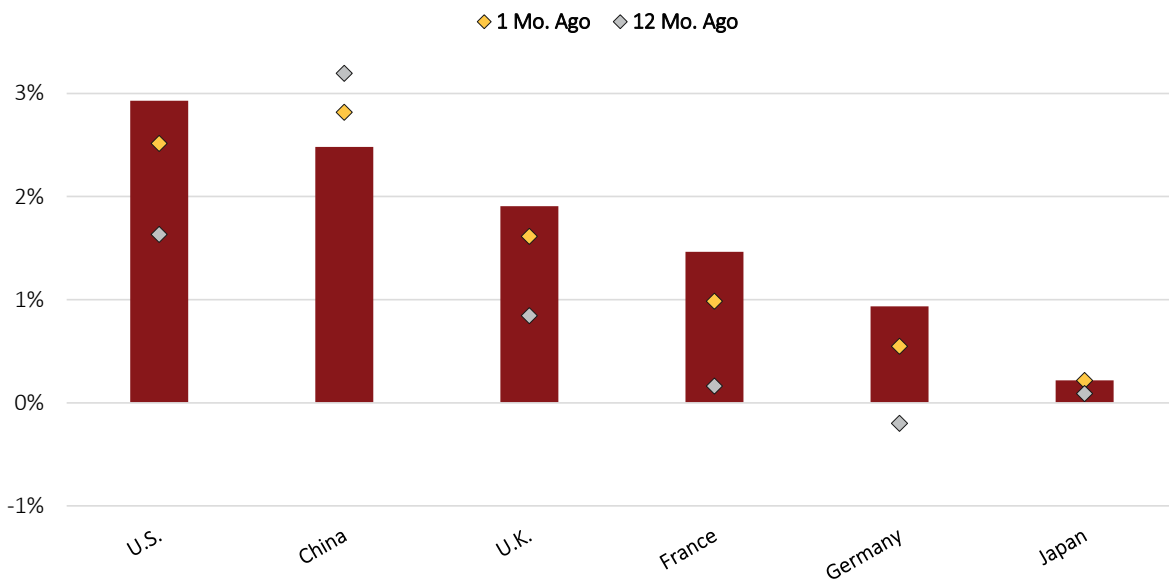
as of 4/30/2022



Source: Federal Reserve Bank

## 10-Year Sovereign Yields

as of 4/30/2022 (most recently available)



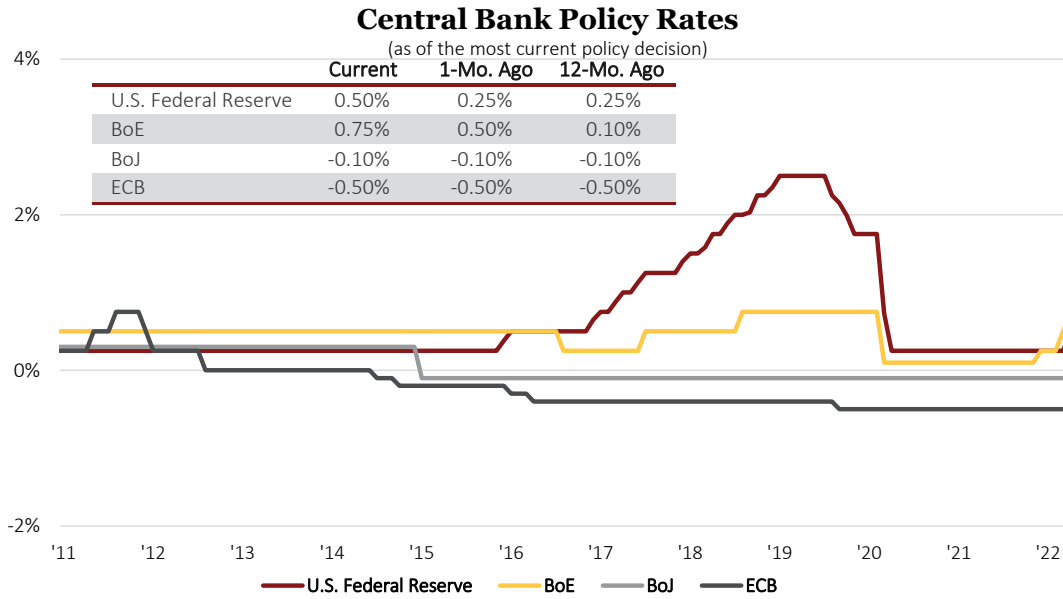
Source: Trading Economics

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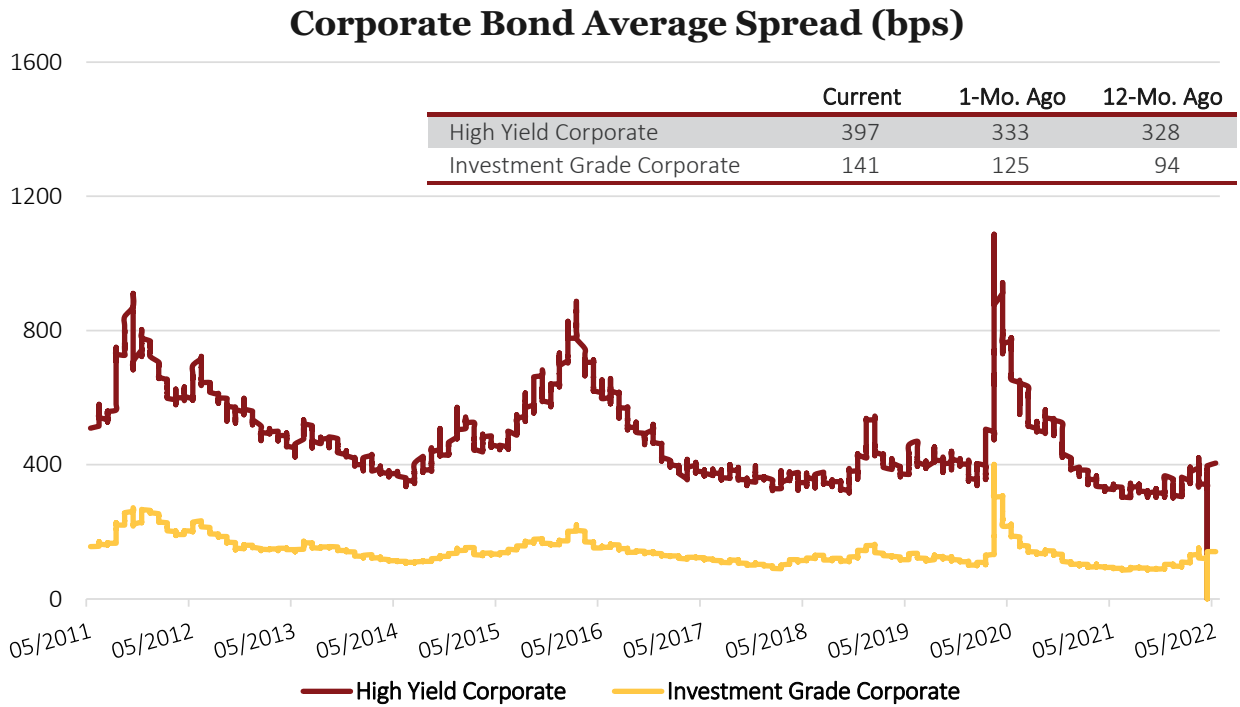
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics



Source: Federal Reserve Bank