

November 2022

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 11/30/2022

## Global Overview

Positive global economic indicators including subsiding high inflation and improving sentiment have resulted in positive global equity and fixed income returns for November. In addition, recent comments from U.S. Fed Chairman Jerome Powell has the market pricing in smaller Fed Funds rate increases starting in December. As a result, the S&P 500 Index increased 5.6% during the month (down 13.1% year-to-date), and the MSCI EAFE gained 11.3% in November (down 14.5% year-to-date).

## U.S. Markets & Economy

Assets recovered in November with the US equity and US bond markets delivering positive returns. The primary drivers of the positive returns were Jerome Powell's moderating rate outlook and headline inflation edging lower than forecasted with a reported rate of 7.7% year-over-year in October as compared to 8.2% in September. Non-farm payrolls began to lose strength as 263,000 jobs were added in November versus the 284,000 jobs added in October. Average hourly earnings rose 0.6% month-over-month compared to an expected 0.3% gain and the unemployment rate remaining unchanged at 3.7%. Additional signs of strength included the ISM Services PMI index increasing to 56.5 in November from a low of 54.4 in October as business activity increased.

Both equity and fixed income securities showed resilience despite the ongoing inflationary and rising rate environment. Large cap value equity securities outperformed their growth counterparts as the Russell 1000 Value increased 6.3% in November (-3.7% year-to-date) as compared to the Russell 1000 Growth Index at 4.6% for the month (-23.3% year-to-date). Fixed income assets also responded positively with a return of 3.7% (-12.6% year-to-date) for the Bloomberg U.S. Aggregate Index and a return of 1.9% (-10.5% year-to-date) for ICE BofA High Yield Index. While the fixed income market reported positive results, the treasury yield curve's inversion deepened meaningfully in November. The inversion between the 3-month and 10-year treasury increased from 16 basis points in the beginning of the month to 69 basis points by the end of the month. An inversion in the yield curve often portends a recession, as was the case the last time the yield curve was this deeply inverted in December of 2000, just before the 2001 recession.

## International Markets & Economy

The European markets gained for the second month straight primarily driven by improving consumer sentiment, which for was reported higher for the first time since the invasion of Ukraine. The improvement in sentiment supported the MSCI Europe Index's 11.4% gain in November. Furthermore, inflation expectations, while still elevated, saw a glimpse of relief as the growth of the European money supply has been slowing, and in turn reducing inflation expectations. Despite the improving outlook in Europe, rate hikes still continued as the BoE made another 75 basis point hike in November. In addition to improving outlook, further recovery was made due to the US Dollar marking its biggest decline in a decade, which contributed to international indices gaining at a higher percent than domestic, as seen by the MSCI EAFE Index (local) only returned 6.4% while the MSCI EAFE (USD) returned 11.3%, suggesting the additional return was due to the move in currency. China's sentiment was not as friendly due to the outbreak of mass protests over the country's extreme COVID-19 polices, with some even calling for the Chinese Communist Party and President Xi to step down. Despite these protests, which are the largest in China since 1989, the MSCI China Index rebounded by 29.7% in November. The protests have the potential to further slow production and extend disruptions to the global

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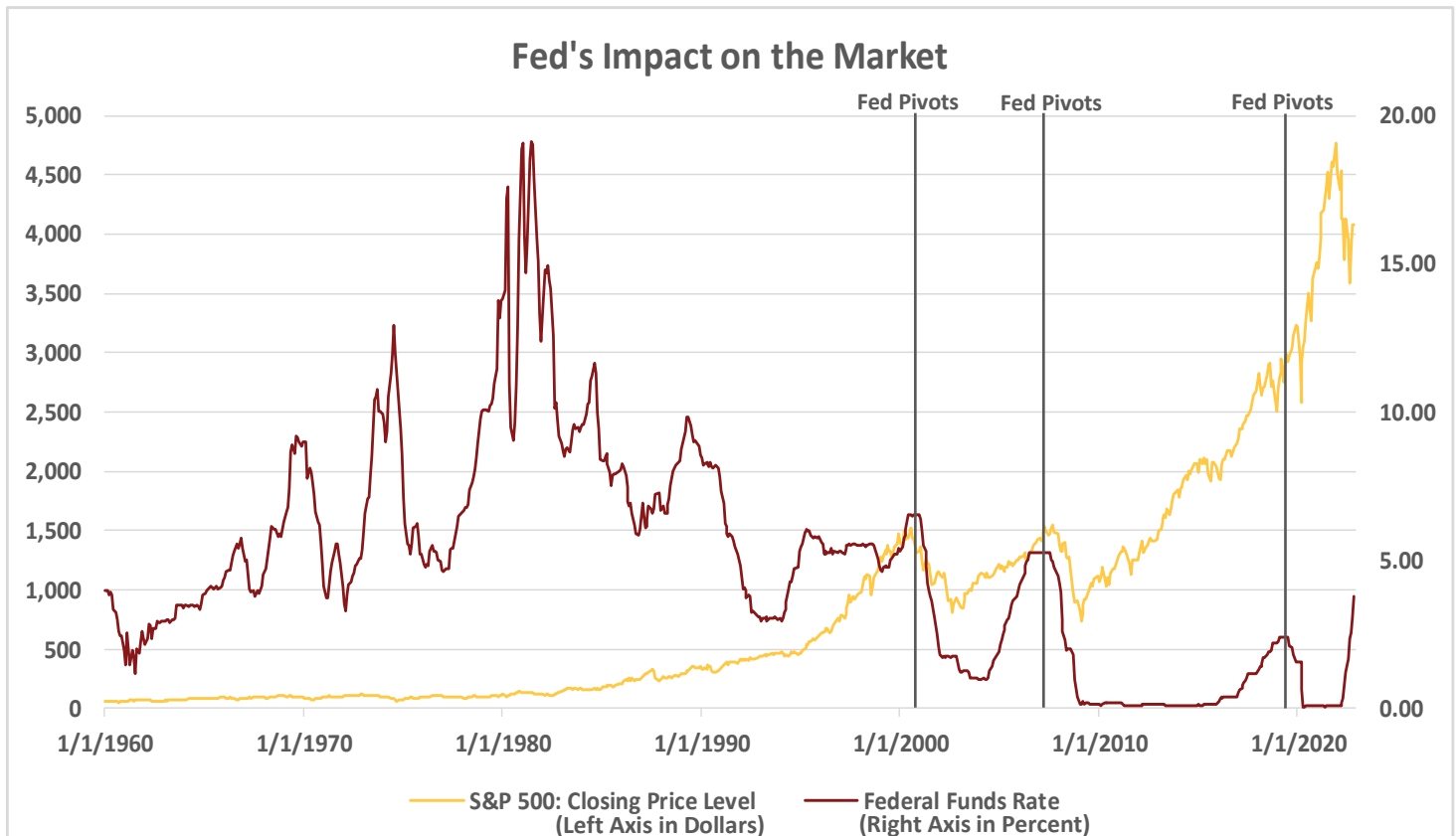
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supply chain. The Emerging Markets continue to face a number of challenges as inflation persists in some countries like Mexico, Brazil, and South Africa, while others have entered a recession, like Chile. However, there is some optimism that the proactive approach to central bank policy by many emerging markets may enable them to end their interest rate hiking cycle earlier than developed economies, which have been slower to hike rates. The MSCI EM Index had a favorable month with a 14.8% gain.

## In the News

In the November meeting, Fed Chair Jerome Powell commented that the end of the rate hiking cycle is on the horizon and could come as early as December. The futures market now indicates that in December the Fed will most likely only hike rates by 50 basis, a downward shift from the 75 bps that was once expected. As demonstrated on the chart of the month, historically over the last 20 years, a bear market tends to emerge when the Fed pivots and begins easing their hiking cycle. This relationship between Fed pivots and the performance of the S&P 500 is likely due to the impact lag of Fed policy. Although every lag is different, it can take up to a year for the economy to feel the effects of rate hikes, and in turn, start to correct the high inflation by slowing consumption and often earnings growth. So, it is likely that the US economy has only felt the effects of the first hike in March, if that. While the relationship between Fed pivots and stock market performance driven by changes in earnings merits some consideration, 2022 presents an additional complication as the S&P 500 has already declined 13.1% year-to-date, in advance of a potential pivot. Needless to say, the stage is set for an uptick in volatility as the U.S. market continue to digest shrinking earnings, growing expectations of a recession in late 2023-2024 and the market implications of Fed policy in the year ahead.

## Chart of the Month



Source: Morningstar and Yahoo Finance

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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	6.95	3.98	(14.51)	(10.86)	7.53	7.35	9.53
	BBgBarc US Agg Bond TR USD	3.68	(2.09)	(12.62)	(12.84)	(2.59)	0.21	1.09
	Russell 3000 TR USD	5.22	3.29	(14.18)	(10.80)	10.28	10.33	12.95
	DJ Industrial Average TR USD	6.04	10.36	(2.89)	2.48	9.50	9.71	12.86
	NASDAQ Composite PR USD	4.37	(2.95)	(26.70)	(26.19)	9.79	10.78	14.31
	MSCI EAFE NR USD	11.26	6.28	(14.52)	(10.14)	1.92	1.85	4.99
	FTSE Treasury Bill 3 Mon USD	0.29	0.73	1.16	1.16	0.64	1.20	0.71
	Bloomberg Commodity TR USD	2.74	(3.71)	19.01	23.20	15.46	7.60	(1.30)
Domestic Equities	S&P 500 TR USD	5.59	3.63	(13.10)	(9.21)	10.91	10.98	13.34
	S&P MidCap 400 TR	6.12	6.50	(7.96)	(3.29)	10.30	7.98	11.65
	S&P SmallCap 600 TR USD	4.17	5.48	(10.06)	(5.99)	9.34	7.25	11.95
	Russell 1000 TR USD	5.41	3.33	(14.13)	(10.66)	10.56	10.69	13.17
	Russell 1000 Growth TR USD	4.56	(0.09)	(23.26)	(21.64)	11.79	12.92	15.01
	Russell 1000 Value TR USD	6.25	6.87	(3.65)	2.42	8.40	7.86	10.97
	Russell Mid Cap TR USD	6.01	4.72	(12.59)	(9.02)	8.68	8.50	11.83
	Russell Mid Cap Growth TR USD	5.44	4.07	(22.04)	(21.77)	6.43	9.10	12.30
	Russell Mid Cap Value TR USD	6.32	5.08	(7.32)	(1.50)	8.76	7.09	10.97
	Russell 2000 TR USD	2.34	2.71	(14.91)	(13.01)	6.44	5.45	10.13
	Russell 2000 Growth TR USD	1.63	1.26	(21.31)	(20.96)	3.68	4.91	10.24
	Russell 2000 Value TR USD	3.06	4.21	(8.48)	(4.75)	8.33	5.35	9.67
International Equities	MSCI ACWI Ex USA NR USD	11.80	3.64	(15.37)	(11.87)	1.75	1.48	4.23
	MSCI EAFE NR USD	11.26	6.28	(14.52)	(10.14)	1.92	1.85	4.99
	MSCI EAFE Growth NR USD	11.54	5.03	(22.07)	(18.70)	1.80	3.06	5.95
	MSCI EAFE Value NR USD	10.99	7.56	(6.76)	(1.21)	1.43	0.22	3.79
	MSCI Japan NR USD	9.68	1.23	(16.87)	(15.29)	(0.40)	0.31	6.07
	MSCI AC Asia Ex Japan NR USD	18.81	(2.68)	(19.52)	(18.42)	0.74	(0.08)	3.91
	MSCI Europe NR USD	11.35	8.95	(15.07)	(9.46)	2.65	2.17	4.87
	MSCI United Kingdom NR USD	10.76	7.06	(4.46)	2.51	2.15	2.03	3.32
	MSCI EAFE Small Cap NR USD	9.91	1.39	(22.22)	(18.83)	0.13	0.27	6.53
	MSCI EM NR USD	14.83	(1.78)	(18.95)	(17.43)	0.14	(0.42)	2.07
Fixed Income	BBgBarc US Govt/Credit TR USD	3.57	(1.89)	(13.16)	(13.44)	(2.48)	0.41	1.18
	BBgBarc US Govt/Credit Interm TR USD	2.17	(1.00)	(8.07)	(8.19)	(1.16)	0.79	1.12
	BBgBarc US Govt/Credit Long TR USD	8.13	(4.59)	(26.06)	(26.67)	(6.12)	(0.57)	1.61
	ICE BofA US High Yield TR USD	1.87	0.56	(10.54)	(8.86)	0.71	2.33	4.19
	Credit Suisse HY USD	1.46	0.22	(10.08)	(8.34)	0.72	2.24	4.07
	S&P/LSTA Leveraged Loan TR	1.24	(0.03)	(1.04)	(0.41)	2.94	3.30	3.70
	FTSE WGBI NonUS USD	6.05	(0.57)	(22.26)	(22.78)	(7.78)	(4.25)	(2.41)
	BBgBarc Gbl Agg Ex USD TR	5.58	(0.76)	(19.75)	(19.81)	(6.01)	(3.27)	(1.82)
REITs	FTSE Nareit All REITs TR	6.02	(4.40)	(21.09)	(13.84)	1.55	4.98	7.76
	Wilshire US REIT TR USD	5.84	(3.31)	(22.48)	(15.64)	1.21	4.52	7.32

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

Source: Morningstar

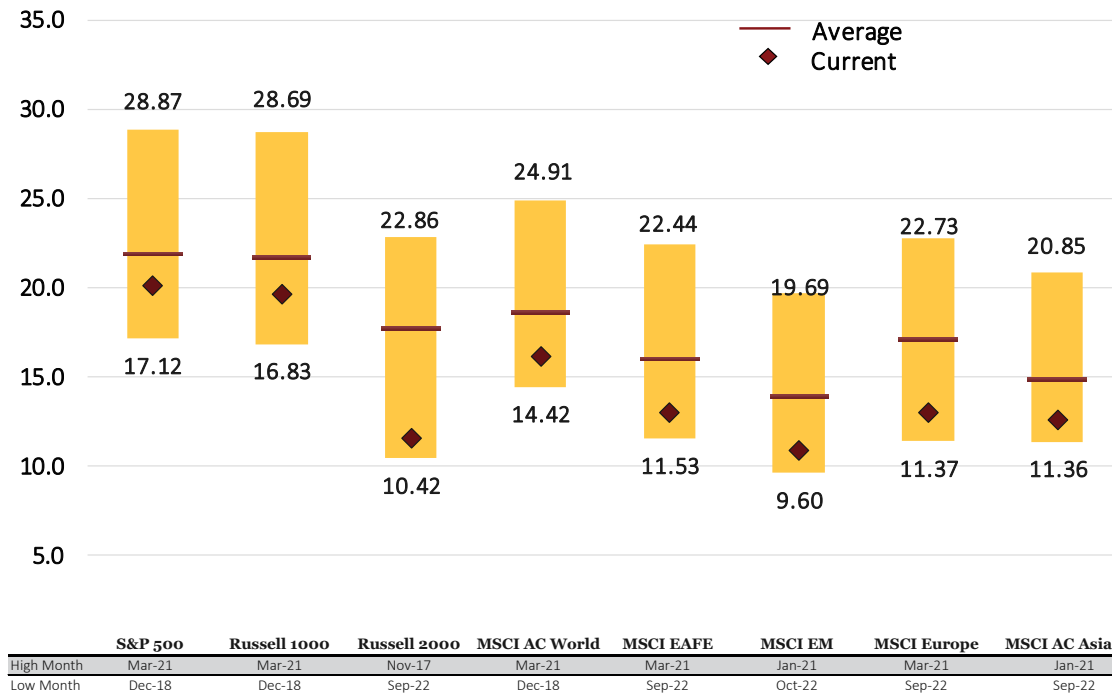
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## Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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>	2.90	1.50	0.50	3.70	3.52	-	-	6.30
<b>China</b>	3.90	3.20	4.70	5.50	2.95	7.09	6.36	0.60
<b>Japan</b>	-0.30	1.60	1.40	2.60	0.25	139.31	113.22	3.60
<b>United Kingdom</b>	-0.20	3.40	0.00	3.60	3.08	1.20	1.33	6.50
<b>Euro Area</b>	0.20	3.10	0.30	6.50	3.19	1.03	1.13	5.00
<b>Germany</b>	0.40	1.20	-0.70	5.60	1.79	0.99	1.13	5.00
<b>France</b>	0.20	2.60	0.60	7.30	2.25	1.02	1.13	5.00
<b>Italy</b>	0.50	3.40	0.40	7.80	3.65	0.99	1.13	5.68
<b>Canada</b>	0.70	3.40	1.50	5.10	2.77	1.35	1.28	5.80
<b>India</b>	-1.40	6.90	5.70	8.00	7.25	81.68	74.48	6.77
<b>Mexico</b>	0.90	2.10	1.50	3.30	9.11	19.37	21.45	8.42
<b>Brazil</b>	0.40	2.50	0.80	8.30	12.88	5.26	5.66	8.29

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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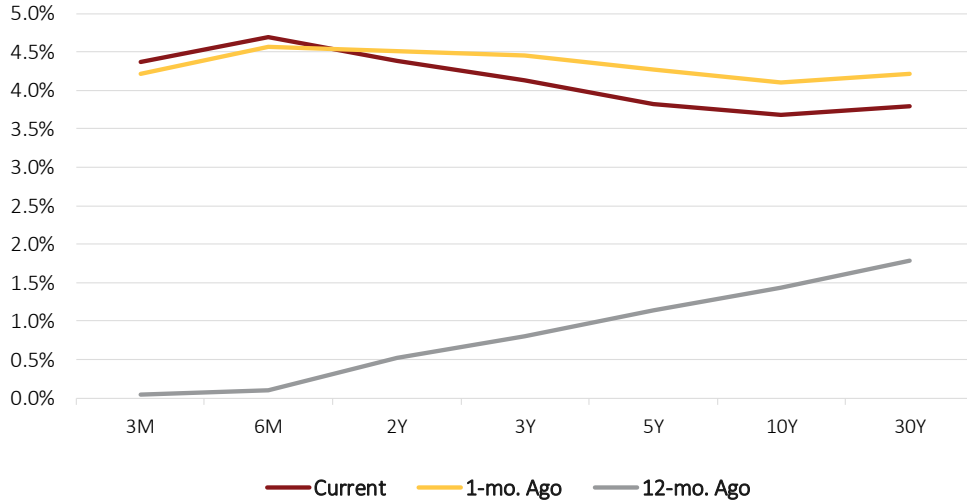
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## U.S. Treasury Yield Curves

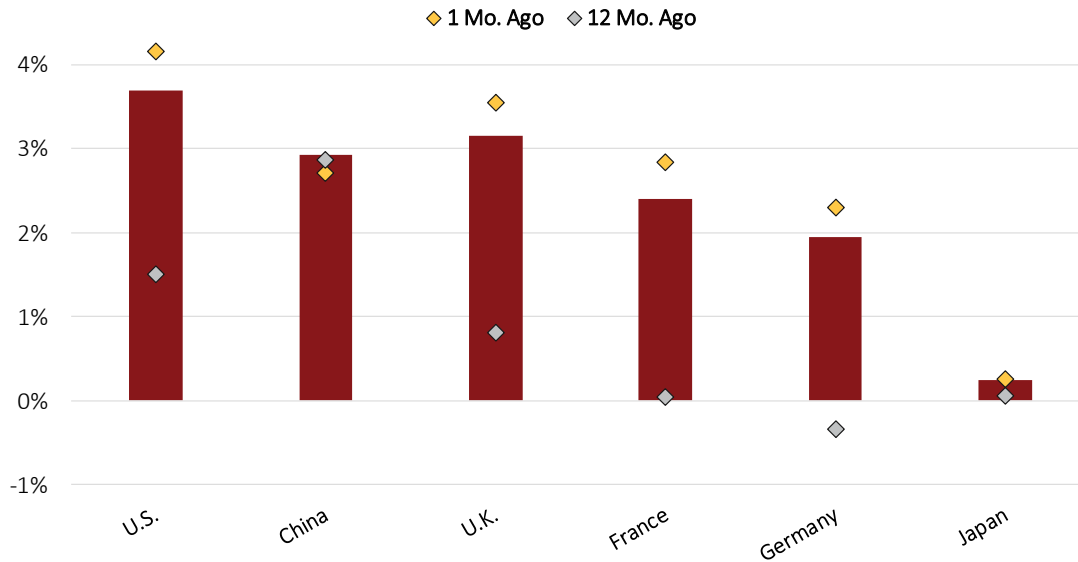
as of 11/30/2022



Source: Federal Reserve Bank

## 10-Year Sovereign Yields

as of 11/30/2022 (most recently available)



Source: Trading Economics

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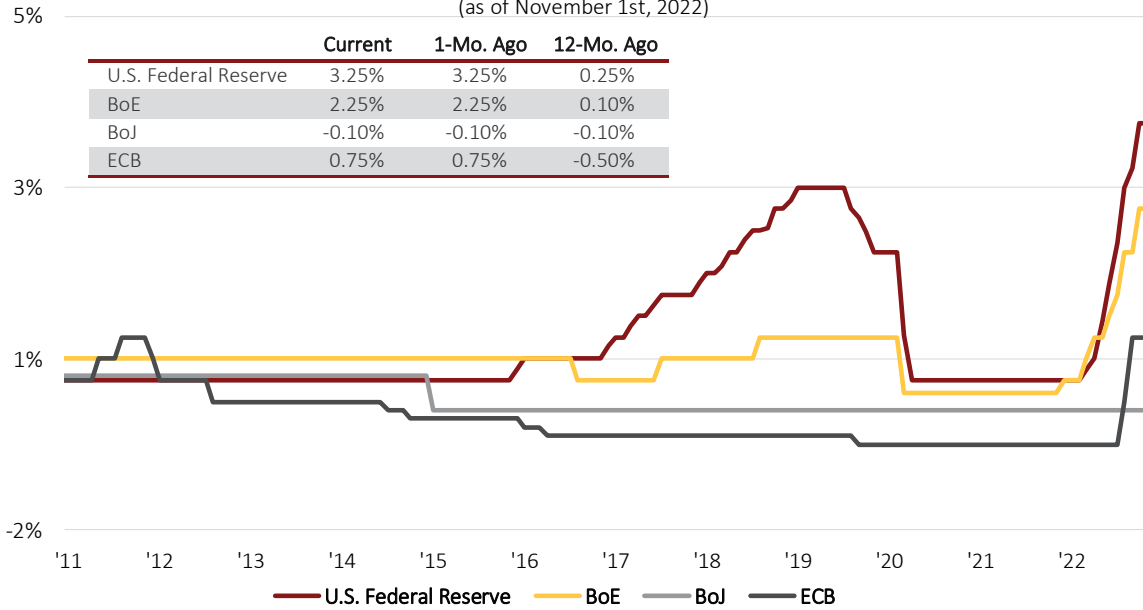
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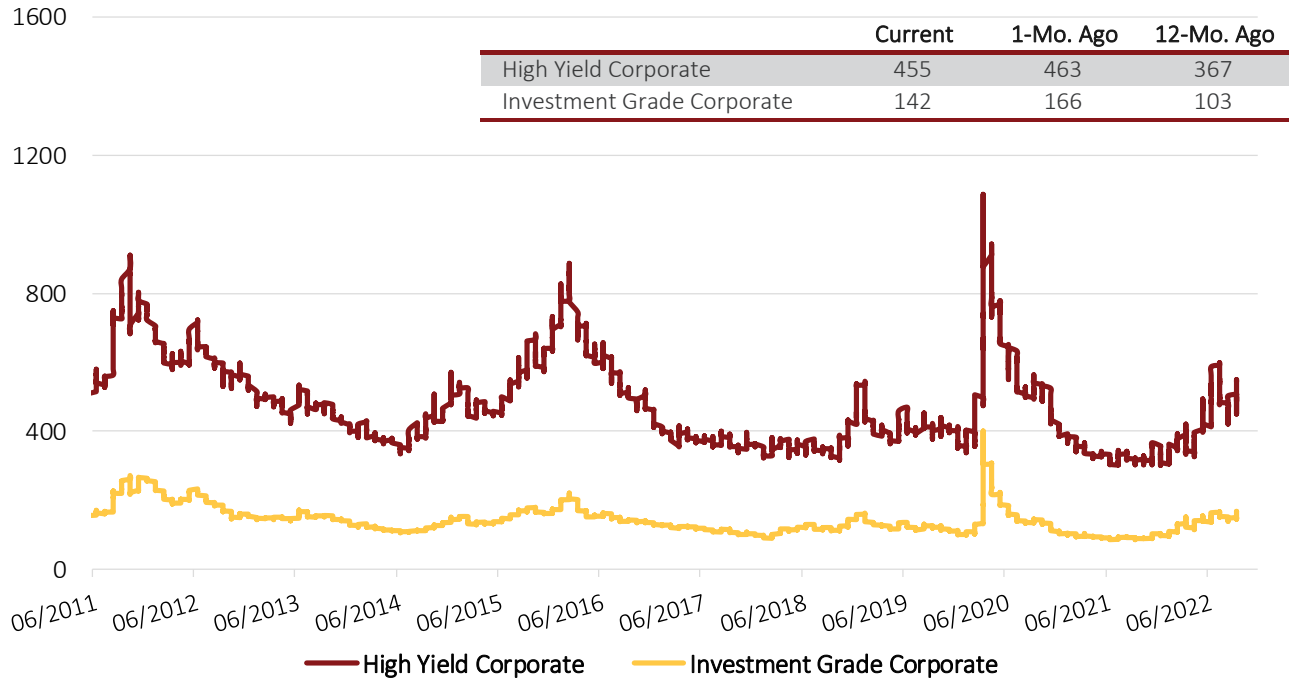
## Central Bank Policy Rates

(as of November 1st, 2022)



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

## Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank