

Equities

The S&P 500 finished September, historically the month with the worst seasonals for equities, down -9.34% at a new bear market low. Q3 illustrated the extent to which markets are being dictated by one factor: Fed policy. Hopes that the Fed could cut rates next year drove the rally through mid-Aug., but markets were roiled over the balance of the quarter by further hawkishness from the FOMC. Growth outperformed value for the quarter, but a slowing economy and higher rates meant there was nowhere to hide. Europe fared about as poorly as the U.S. in local currency terms, though the soaring USD sent them down nearly -12% in dollar terms.

Fixed income

The Fed continued its aggressive tightening campaign in Q3, hiking rates 150bps to total 300bps for the year with an additional 125bps expected in Q4. The DXY dollar index hit a 20-year high and benchmark yields have surged. The 2-year jumped 122bps last quarter, rising above 4% for the first time since 2008, while the 10-year, driven largely by rising real yields, climbed at its fastest pace in four decades, briefly hitting 4% last week. Heightened volatility in the Treasury market has coincided with plummeting returns in the Bloomberg Agg which shed -4.75% in Q3. HY followed the rocky path equities took, ending Q3 down -0.65%.

Commodities

Oil prices plunged in September and Q3 as the demand outlook deteriorated. Renewed COVID lockdowns in China and hawkish central banks sent WTI below \$80/bbl for the first time since January. Gasoline prices fell -22% in Q3 but have risen recently. Natural gas in the U.S. and Europe have moved in concert over the past few months given the surge in LNG shipments from the U.S. to Europe. Gold declined -8.02% in Q3 as real rates soared.

Economic overview

Last week, data reinforced key economic themes of Q3: Persistently high inflation, slugging growth, and a robust labor market. The PCE deflator - the Fed's preferred inflation measure - rose 0.3% m/m, but excluding food and energy accelerated to 4.9% y/y (Cons 4.7%). Meanwhile, real personal spending was lackluster in Aug. revised down for July, chipping away at the odds of a positive growth outcome in Q3 real GDP. Meanwhile, initial jobless claims fell to 193,000 in the week ending Sept. 24.

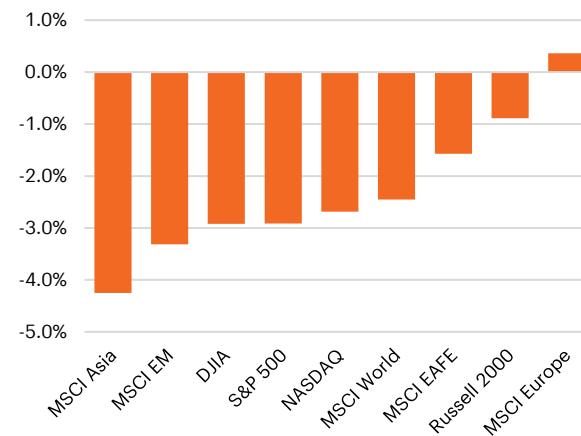
| Equities (price index) | | MTD | QTD | YTD | 2021 |
|------------------------|-----------|---------|---------|---------|--------|
| S&P 500 | 3,585.62 | -9.34% | -5.28% | -24.77% | 26.89% |
| DJIA | 28,725.51 | -8.84% | -6.66% | -20.95% | 18.73% |
| NASDAQ | 10,575.62 | -10.50% | -4.11% | -32.40% | 21.39% |
| Russell 2000 | 1,664.72 | -9.73% | -2.53% | -25.86% | 13.70% |
| MSCI World | 2,378.65 | -9.46% | -6.58% | -26.40% | 20.14% |
| MSCI Europe | 1,454.90 | -8.80% | -10.54% | -30.50% | 13.75% |
| MSCI EAFE | 1,661.48 | -9.73% | -10.01% | -28.88% | 8.78% |
| MSCI Asia | 138.92 | -12.37% | -12.08% | -28.07% | -3.40% |
| MSCI EM | 875.79 | -11.90% | -12.48% | -28.91% | -4.59% |
| VIX | 31.62 | 5.75 | 2.91 | 14.40 | -5.53 |

| Fixed income (total return index) | | MTD | QTD | YTD | 2021 |
|-----------------------------------|----------|--------|--------|---------|--------|
| Barclays U.S. Agg | 2,011.06 | -4.32% | -4.75% | -14.61% | -1.54% |
| Inv. grade bonds | 2,864.12 | -5.26% | -5.06% | -18.72% | -1.04% |
| High yield bonds | 2,098.50 | -3.97% | -0.65% | -14.74% | 5.28% |
| Leveraged Loans | 3,207.75 | -2.27% | 1.37% | -3.25% | 5.20% |

| Alternatives (total return index) | | MTD | QTD | YTD | 2021 |
|-----------------------------------|-----------|---------|---------|---------|--------|
| FTSE NAREIT | 20,630.59 | -12.72% | -10.83% | -27.93% | 41.30% |
| REIT Index | | | | | |
| GS Commodity Index | 607.76 | -8.74% | -14.31% | 8.30% | 37.05% |
| Alerian MLP Index | 1,353.75 | -7.62% | 8.05% | 18.90% | 40.17% |
| HFRX Global* | 1,366.50 | -0.90% | 0.58% | -4.50% | 3.65% |

*1-day lag

Last week's equity returns



| Commodities | | MTD | QTD | YTD | 2021 |
|-------------|---------|---------|---------|--------|--------|
| WTI Crude | \$79.49 | -11.23% | -24.84% | 5.69% | 55.01% |
| Brent Crude | \$87.96 | -8.84% | -23.39% | 13.09% | 50.15% |
| Natural Gas | \$6.77 | -25.87% | 24.74% | 81.39% | 46.91% |
| Gold | \$1,662 | -3.17% | -8.02% | -9.09% | -3.51% |

Currency

| Currency | | MTD | QTD | YTD | 2021 |
|--------------------|--------|--------|-------|---------|--------|
| Dollar Index (DXY) | 112.12 | 3.14% | 7.10% | 17.19% | 6.37% |
| USDCNY | 7.12 | 3.27% | 6.22% | 11.96% | -2.62% |
| Bitcoin | 19,425 | -3.82% | 3.70% | -58.08% | 59.79% |

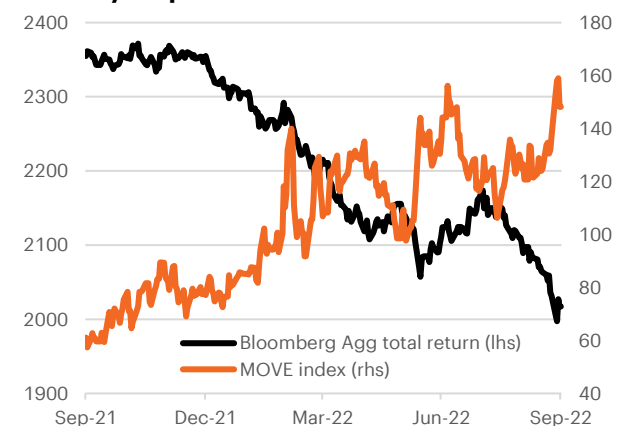
Spreads

| Spread | MTD | QTD | YTD | 2021 |
|------------------|---------|--------|---------|---------|
| Inv. grade bonds | 159 bps | 19 bps | 4 bps | 67 bps |
| High yield bonds | 552 bps | 68 bps | -17 bps | 269 bps |
| Leveraged loans | 569 bps | 75 bps | 15 bps | 158 bps |
| Emerging markets | 405 bps | 41 bps | -2 bps | 108 bps |

Interest rates

| Rate | MTD | QTD | YTD | 2021 |
|-------------------|--------|---------|---------|---------|
| Fed Funds Target | 3.125% | 2.375% | 1.625% | 0.125% |
| SOFR | 2.96% | 67 bps | 146 bps | 291 bps |
| 3-month LIBOR* | 3.74% | 64 bps | 146 bps | 353 bps |
| 2-year Treasury | 4.28% | 79 bps | 133 bps | 355 bps |
| 10-year Treasury | 3.83% | 64 bps | 82 bps | 232 bps |
| 30-year Treasury | 3.78% | 48 bps | 59 bps | 187 bps |
| Barclays U.S. Agg | 4.75% | 79 bps | 103 bps | 300 bps |
| Inv. grade bonds | 5.69% | 86 bps | 99 bps | 336 bps |
| High yield bonds | 9.68% | 126 bps | 79 bps | 547 bps |

Volatility has punished fixed income



Source: Bloomberg Finance, L.P., as of 12:00pm, September 30, 2022.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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