



# PENSION & WEALTH MANAGEMENT ADVISORS

IMPROVING FINANCIAL SECURITY

800 SOUTH STREET SUITE 160 WALTHAM MA 02453 t 781.398.0077

## Q4 2022 - Market Commentary<sup>1</sup>

- Despite a strong gain of +7.2% during the fourth quarter, the broad U.S. stock market as measured by the Russell 3000 Index declined 19.2% for 2022, its worst performance since 2008.
- The technology heavy Nasdaq index was the worst performing major equity benchmark with a -33.0% return.
- Small cap stocks lagged large cap stocks during the fourth quarter and the Russell 2000 Index declined -20.4% for the year.
- Global equity markets hit new lows for the year in mid-October.
- Bond yields then reversed lower and global equities rallied and finished the fourth quarter with strong gains.
- Inflationary pressures eased somewhat, allowing the U.S. Federal Reserve to step down the level of interest rate increases as it raised interest rates twice during the fourth quarter and a total of 4.25% during 2022, the most since 1980.
- The Fed indicated that further interest rate increases are warranted as inflation is still elevated.
- Rising interest rates had a significant negative impact on tech stock valuations, which hurt growth stocks more than value stocks.
- For 2022, the Russell 1000 Growth Index returned -29.1% compared to -7.5% for the Russell 1000 Value Index.
- Non-U.S. stocks outperformed U.S. stocks by 4.7% for the year, the first time since 2017.
- The U.S. dollar peaked in late October and then fell over 9% by the end of the year.
- Emerging markets stocks returned nearly +10% during the fourth quarter as China ended its draconian Zero Covid-19 policy.
- Emerging market stock returns lagged developed market international stock returns by a wide margin with the MSCI EAFE Index returning +17.3% as many European stock markets returned over 20% during the fourth quarter.
- As inflationary pressures eased, fixed income generated its first quarterly gain of the year, but the Bloomberg Aggregate Bond Index still had one of the worst years in history with a -13.0% return.
- Long maturity bonds were the most negatively impacted by rising interest rates with the 20-year U.S. Treasury bond index declining -31.2% for the year.
- The 10-year U.S. Treasury yield ended the year at 3.88%, up significantly from 1.51% at the start of 2022 and the 2-year increased from 0.75% to 4.42%.
- The S&P 500 energy sector outperformed the broad U.S. stock market by an astounding 85% during 2022.
- Digital assets continued to decline as a major crypto exchange declared bankruptcy, causing a domino effect and several digital currencies collapsed. Bitcoin plunged and finished 2022 down 64%.
- Balanced portfolios posted the first positive quarterly return of the year, but 2022 ended as one of the worst years in modern financial history for a traditional 60/40 balanced portfolio as both stocks and bonds posted large double-digit declines.

## Performance Table<sup>1</sup>

	<u>4Q22</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
S&P 500 Index (U.S. large/mega cap stocks)	7.6% ↑↑	-18.1% ↓↓↓	28.7% ↑↑↑↑	18.4% ↑↑↑	31.5% ↑↑↑↑
Russell 2000 Index (U.S. small cap stocks)	6.2% ↑↑	-20.4% ↓↓↓	14.8% ↑↑↑	20.0% ↑↑↑	25.5% ↑↑↑↑
Russell 3000 Index (all U.S. stocks)	7.2% ↑↑	-19.2% ↓↓↓	25.7% ↑↑↑	20.9% ↑↑↑	31.0% ↑↑↑↑
MSCI EAFE Index (large cap developed markets int'l stocks)	17.3% ↑↑↑	-14.5% ↓↓↓	11.3% ↑↑↑	7.8% ↑↑↑	22.0% ↑↑↑
MSCI EM Index (emerging markets stocks)	9.7% ↑↑	-20.1% ↓↓↓	-2.5% ↓	18.3% ↑↑↑	18.4% ↑↑↑
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	14.3% ↑↑↑	-16.0% ↓↓↓	7.8% ↑↑	10.7% ↑↑↑	21.5% ↑↑↑
MSCI All Countries World Index (global stocks)	9.8% ↑↑	-18.4% ↓↓↓	18.5% ↑↑↑	16.3% ↑↑↑	26.6% ↑↑↑
Bloomberg Aggregate Bond Index (inv. grade bonds)	1.9% ↑	-13.0% ↓↓↓	-1.5% ↓	7.5% ↑↑	8.7% ↑↑
Bloomberg High Yield Index (below invt. grade corp. bonds)	4.8% ↑	-12.2% ↓↓↓	4.0% ↑	5.0% ↑	14.9% ↑↑↑
Bloomberg Short-Term Treasury Index (cash)	0.3% ↑	1.0% ↑	0.0% ↔	1.0% ↑	2.5% ↑
Bloomberg Municipal Bond Index	4.0% ↑	-8.6% ↓	1.6% ↑	5.0% ↑	7.5% ↑↑
Gold	9.6% ↑↑	0.0% ↔	-3.7% ↓	25.1% ↑↑↑↑	18.4% ↑↑↑
Oil (West Texas Intermediate Crude)	1.0% ↑	6.7% ↑↑	55.8% ↑↑↑↑↑	-20.9% ↓↓↓	31.5% ↑↑↑↑
Bitcoin	-14.5% ↓↓↓	-64.0% ↓↓↓↓	59.0% ↑↑↑↑↑	303.7% ↑↑↑↑↑	90.3% ↑↑↑↑↑
Ishares Core Growth Allocation ETF (60% stocks / 40% stocks)	6.4% ↑↑	-15.7% ↓↓↓	11.2% ↑↑↑	11.4% ↑↑↑	18.9% ↑↑↑

<sup>1</sup> Data sourced from Barclays, Market Watch, MSCI, Russell, Standard & Poors, Wall Street Journal and Barrons.