



# PENSION & WEALTH MANAGEMENT ADVISORS

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## Q3 2023 - Market Commentary<sup>1</sup>

- Both stocks and bonds declined during the third quarter as the major central banks continued to increase interest rates and the U.S. Federal Reserve reiterated its Higher-For-Longer message.
- After the Fed raised the Fed Funds rate another 0.25% at its July 26th meeting, longer maturity bond yields started to move rapidly higher, which started to undermine gains from the first half of 2023.
- The broad U.S. stock market as measured by the Russell 3000 Index returned -3.3% and small cap stocks as measured by the Russell 2000 Index returned -5.1%.
- Large cap value and large cap growth stocks performed similarly during the third quarter.
- Small and mid-cap growth stocks had bigger declines than value stock peers, reversing the performance trend of the first half of 2023.
- Even though the Russell 3000 Index is still up over 12% year to date, U.S. stock returns are extremely concentrated.
- Decelerating economic growth in Europe combined with weaker foreign currencies vs. the U.S. dollar caused international stocks to underperform U.S. stocks during the third quarter with the MSCI EAFE Index returning -4.1%.
- The MSCI Emerging Markets Index was the best performing global equity index with a -2.9% return during the third quarter but is still the weakest performing equity asset class year to date with a +1.8% return.
- A confluence of factors caused U.S. bond yields to increase substantially during the third quarter with the 10-year U.S. Treasury yield increasing from 3.84% to 4.56%.
- Since the start of the year, the 10-year U.S. Treasury yield has increased 0.68%.
- The broad U.S. bond market measured by the Bloomberg Aggregate Bond Index declined 3.2% and is now -1.2% year to date.
- Longer maturity bonds have fared much worse with 20+ year U.S. Treasuries -9% year to date.
- Since the Fed began raising interest rates in March 2022, longer maturity U.S. Treasury bonds have declined 40%, the worst stretch of performance for bonds since the 1970s.
- Despite a slower global economy, steady demand combined with tightening U.S. supplies and OPEC maintaining its production cuts led to a large rally in oil prices during the third quarter. The benchmark West Texas Intermediate Crude surged 29%.
- Gold declined 3.3% during the third quarter as rising global bond yields and the strong U.S. dollar rally created headwinds for precious metals.
- The risk-off environment during the third quarter caused Bitcoin to fall nearly 12% but it is still +62% year to date.
- Declines for both stocks and bonds weighed on balanced portfolios during the third quarter.
- As measured by Morningstar, the average 60/40 global balanced portfolio returned -2.7% for the third quarter but is still +4.6% year to date through 9/30/23.

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

	<u>3Q23</u>		<u>YTD</u>		<u>2022</u>		<u>2021</u>		<u>2020</u>	
S&P 500 Index (U.S. large/mega cap stocks)	-3.3%	↓	13.1%	↑↑↑	-18.1%	↓↓↓	28.7%	↑↑↑↑	18.4%	↑↑↑
Russell 2000 Index (U.S. small cap stocks)	-5.1%	↓↓	2.5%	↑	-20.4%	↓↓↓	14.8%	↑↑↑	20.0%	↑↑↑
Russell 3000 Index (all U.S. stocks)	-3.3%	↓	12.4%	↑↑↑	-19.2%	↓↓↓	25.7%	↑↑↑	20.9%	↑↑↑
MSCI EAFE Index (large cap developed markets int'l stocks)	-4.1%	↓	7.1%	↑	-14.5%	↓↓↓	11.3%	↑↑↑	7.8%	↑↑
MSCI EM Index (emerging markets stocks)	-2.9%	↓	1.8%	↑	-20.1%	↓↓↓	-2.5%	↓	18.3%	↑↑↑
MSCI All Countries Ex U.S. Index (all non-U.S. stocks)	-3.8%	↓	5.3%	↑	-16.0%	↓↓↓	7.8%	↑↑	10.7%	↑↑↑
MSCI All Countries World Index (global stocks)	-3.4%	↓	10.1%	↑↑↑	-18.4%	↓↓↓	18.5%	↑↑↑	16.3%	↑↑↑
Bloomberg Aggregate Bond Index (inv. grade bonds)	-3.2%	↓	-1.2%	↓	-13.0%	↓↓↓	-1.5%	↓	7.5%	↑
Bloomberg High Yield Index (below invt. grade corp. bonds)	-0.1%	↓	4.9%	↑	-12.2%	↓↓↓	4.0%	↔	5.0%	↑
Bloomberg Short-Term Treasury Index (cash)	1.3%	↑	3.6%	↑	1.0%	↑	0.0%	↔	1.0%	↑
Bloomberg Municipal Bond Index	-4.1%	↓	-1.4%	↓	-8.6%	↓↓	1.6%	↑	5.0%	↑
Gold	-3.3%	↓	1.9%	↑	0.0%	↔	-3.7%	↓	25.1%	↑↑↑
Oil (West Texas Intermediate Crude)	28.9%	↑↑↑↑	12.8%	↑↑↑	6.7%	↑↑	55.8%	↑↑↑↑↑	-20.9%	↓↓↓
Bitcoin	-11.5%	↓↓↓	62.3%	↑↑↑↑↑	-64.0%	↓↓↓	59.0%	↑↑↑↑↑	303.7%	↑↑↑↑↑
Morningstar Global Balanced (60% stocks / 40% stocks)	-2.7%	↓	4.6%	↑	-13.6%	↓↓↓	13.9%	↑↑↑	11.7%	↑↑↑

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