

December 2022

DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 12/31/2022

Global Overview

Persistent global inflation, restrictive monetary policy and geopolitical concerns largely resulted in declining markets across the globe in December. In the US, falling PMI, retail sales, and business confidence helped drive equities into negative territory with the S&P 500 Index down 5.8% in December and 18.1% for the year. Inflation and energy concerns continued in Europe as the Ukraine conflict endured, while optimism began to increase in Asia as China eased COVID restrictions. Despite improving sentiment in China, the MSCI EM Index declined 1.4% in December (down 20.09 for the year) as compared to the developed market MSCI EAFE Index returning a positive 0.1% in December (down 14.5% for the year).

U.S. Markets & Economy

The U.S. equity market declined in December as mixed economic data and persistent inflation were reported during the month. Although the CPI started to slow in November, concerns of a possible recession gained traction as reported Manufacturing PMI and retail sales declined more than anticipated. Weak reports for building permits and housing starts also contributed to the negative economic news. US Manufacturing PMI decreased to 46.2 in December from 47.7 in November as US Services PMI declined to 44.7 from 46.2 during the same time periods, respectively. Furthermore, business confidence also declined in December to 48.4 from 49.0 in November. On the positive side, the rate hikes have been taking effect as inflation has continued to decline the past couple months.

Having increased the fed funds rate by 75 bps in four consecutive meetings (and the seventh consecutive rate hike), the Fed reduced the rate of increase to 50 bps in December. This month's rate hike increased the fed funds target range to 4.25%- 4.50%. This move was largely due to the slowing CPI data. FOMC minutes reported several members expressing interest in maintaining the restrictive policy stance until inflation had reached the targeted 2% level, which most likely would not occur in 2023. As a result, both equity and fixed income securities declined in December. The large cap S&P 500 Index declined 5.8% in December (down 18.1% for the year) while small cap stocks (Russell 2000 Index) declined 6.5% (down 20.4% for the year). Fixed income markets posted mixed results in the month, with the Bloomberg US Aggregate Index down 0.5% in December (-13.0% for the year) and the Bloomberg Global Aggregate Index returning a positive 1.3% in December (down 18.7% for the year).

International Markets & Economy

In December, the international markets fared slightly better than their domestic counterparts, with some indices, like the MSCI EAFE Value Index, gaining 1.3%. Focusing on the Eurozone, the money supply (M1 and M2) has been declining, likely due to the rate hiking cycles shrinking the total supply. Reduction in the total money supply has begun to lead to a more restrictive credit environment which creates additional risks for businesses. Furthermore, the ECB hiked rates another 50 basis points in December, up now to 2.0%. The ECB believes rate hikes may need to continue in order to tame core inflation, which is currently still at 5%. Alongside Europe, China continues to face economic challenges with rising COVID cases, falling production, and declining retail sales (which are below 2020 levels), contributing to shrinking exports. Persistent weakness of the housing market also added to the country's economic woes. However, due to the relaxing of COVID policies Chinese markets rallied in December with the MSCI China up 5.2% in the month (but still ended the year down 21.9%, the biggest loss since 2008). Emerging markets have presented some signs of improvement over the last months as inflation has been declining, when excluding both

DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2022

December 2022

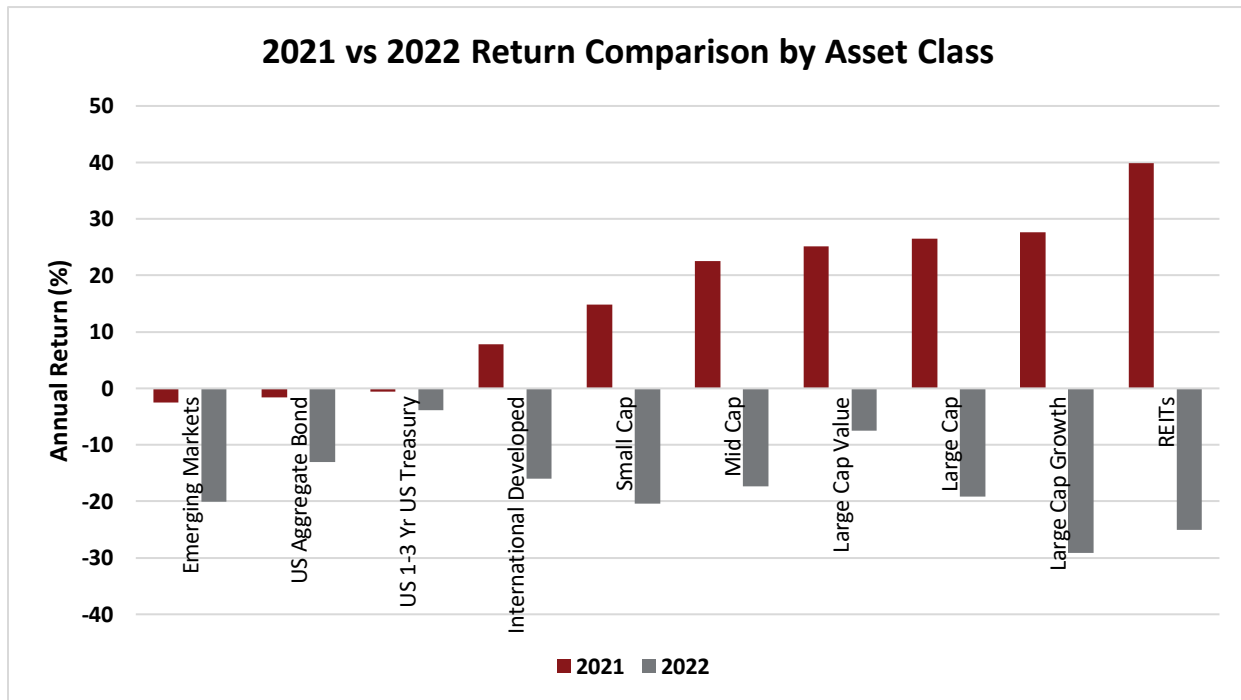
Page 2 of 6

Turkey and Russia. Despite this, the MSCI Emerging Markets still lost 1.4% over the last month due to countries struggling with production levels.

In the News

In 2022, the market saw a couple different phenomenon compared to previous years while seeing a stark contrast in returns during the 2021 market environment and the unfavorable environment of 2022. To no surprise, REITS, as an asset class, was one of the best performing in 2021, and one of the worst performing in 2022, largely due to the extremely cyclical nature of REITS. But, the notable takeaway includes the decline of annual returns in both the fixed income and equity space, which rarely happens in tandem. Although there are a multitude of factors involved, bonds declined in large part due to the Fed's higher interest rates policy driving up yields. Stocks lost primarily due to low consumer confidence linked to inflation, the Fed's policy which slowed credit expansion and consumption hindering future earnings outlook, and the Fed policy significantly increasing cost of capital, which creates the potential to distress growth equities, as seen. Other concerns leading to a lesser impact include worries of the Fed making a soft landing with rate hikes, energy shortages, and global supply chain issues. Nevertheless, both asset classes moving in the negative direction generally is aided by a distressed economic environment. Another key takeaway from 2022 is value stocks falling back into favor, after a 10+ year run growth stock leadership. The stark difference is represented in the Chart of the Month as large cap value stocks as an asset class only fell 7.5% while their growth counterparts lost 29.1%. In addition to large losses from REITS and growth stocks, emerging markets was another asset class with big losses due to macroeconomic factors previously discussed as well as the strength of the USD further eating into total EM returns. Overall, the troubled economic environment hurt returns across all equity asset classes offsetting much of 2021's gains.

Chart of the Month



Source: Morningstar

The asset class returns were determined by the 2022 annual returns from the following benchmarks, respectively: Emerging Markets, MSCI Emerging Markets; US Aggregate Bond, Bloomberg US Aggregate Bond; US 1-3 Yr US Treasury, Bloomberg 1-3 Yr US Treasury; International Developed, MSCI ACWI ex-US; Small Cap, Russell 2000; Mid Cap, Russell Mid Cap; Large Cap Value, Russell 1000 Value; Large Cap, Russell 2000; Large Cap Growth, Russell 2000 Growth; REITS, FTSE Nareit All REITS.

DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2022

December 2022

Page 3 of 6

Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	(4.25)	9.77	(18.14)	(18.14)	4.94	6.14	8.85
	BBgBarc US Agg Bond TR USD	(0.45)	1.87	(13.01)	(13.01)	(2.71)	0.02	1.06
	Russell 3000 TR USD	(5.86)	7.18	(19.21)	(19.21)	7.07	8.79	12.13
	DJ Industrial Average TR USD	(4.09)	16.01	(6.86)	(6.86)	7.32	8.38	12.30
	NASDAQ Composite PR USD	(8.73)	(1.03)	(33.10)	(33.10)	5.27	8.68	13.24
	MSCI EAFE NR USD	0.08	17.34	(14.45)	(14.45)	0.87	1.54	4.67
	FTSE Treasury Bill 3 Mon USD	0.34	0.87	1.50	1.50	0.71	1.25	0.74
Bloomberg Commodity TR USD	(2.45)	2.22	16.09	16.09	12.65	6.44	(1.28)	
Domestic Equities	S&P 500 TR USD	(5.76)	7.56	(18.11)	(18.11)	7.66	9.42	12.56
	S&P MidCap 400 TR	(5.54)	10.78	(13.06)	(13.06)	7.23	6.71	10.78
	S&P SmallCap 600 TR USD	(6.71)	9.19	(16.10)	(16.10)	5.80	5.88	10.82
	Russell 1000 TR USD	(5.81)	7.24	(19.13)	(19.13)	7.35	9.13	12.37
	Russell 1000 Growth TR USD	(7.66)	2.20	(29.14)	(29.14)	7.79	10.96	14.10
	Russell 1000 Value TR USD	(4.03)	12.42	(7.54)	(7.54)	5.96	6.67	10.29
	Russell Mid Cap TR USD	(5.40)	9.18	(17.32)	(17.32)	5.88	7.10	10.96
	Russell Mid Cap Growth TR USD	(6.00)	6.90	(26.72)	(26.72)	3.85	7.64	11.41
	Russell Mid Cap Value TR USD	(5.08)	10.45	(12.03)	(12.03)	5.82	5.72	10.11
	Russell 2000 TR USD	(6.49)	6.23	(20.44)	(20.44)	3.10	4.13	9.01
	Russell 2000 Growth TR USD	(6.42)	4.13	(26.36)	(26.36)	0.65	3.51	9.20
Russell 2000 Value TR USD	(6.56)	8.42	(14.48)	(14.48)	4.70	4.13	8.48	
International Equities	MSCI ACWI Ex USA NR USD	(0.75)	14.28	(16.00)	(16.00)	0.07	0.88	3.80
	MSCI EAFE NR USD	0.08	17.34	(14.45)	(14.45)	0.87	1.54	4.67
	MSCI EAFE Growth NR USD	(1.13)	15.05	(22.95)	(22.95)	0.47	2.49	5.59
	MSCI EAFE Value NR USD	1.26	19.64	(5.58)	(5.58)	0.65	0.17	3.51
	MSCI Japan NR USD	0.27	13.23	(16.65)	(16.65)	(0.99)	0.23	5.55
	MSCI AC Asia Ex Japan NR USD	(0.19)	11.35	(19.67)	(19.67)	(1.46)	(0.64)	3.57
	MSCI Europe NR USD	0.01	19.35	(15.06)	(15.06)	1.35	1.87	4.58
	MSCI United Kingdom NR USD	(0.39)	16.98	(4.84)	(4.84)	0.32	0.96	3.07
	MSCI EAFE Small Cap NR USD	1.07	15.79	(21.39)	(21.39)	(0.93)	(0.05)	6.21
	MSCI EM NR USD	(1.41)	9.70	(20.09)	(20.09)	(2.69)	(1.40)	1.44
Fixed Income	BBgBarc US Govt/Credit TR USD	(0.48)	1.80	(13.58)	(13.58)	(2.57)	0.21	1.16
	BBgBarc US Govt/Credit Interm TR USD	(0.18)	1.54	(8.23)	(8.23)	(1.26)	0.73	1.12
	BBgBarc US Govt/Credit Long TR USD	(1.38)	2.61	(27.09)	(27.09)	(6.20)	(1.21)	1.57
	ICE BofA US High Yield TR USD	(0.75)	3.98	(11.22)	(11.22)	(0.23)	2.12	3.94
	Credit Suisse HY USD	(0.53)	3.77	(10.55)	(10.55)	(0.15)	2.07	3.86
	S&P/LSTA Leveraged Loan TR	0.44	2.74	(0.60)	(0.60)	2.55	3.31	3.67
	FTSE WGBI NonUS USD	0.25	6.51	(22.07)	(22.07)	(7.96)	(4.21)	(2.27)
BBgBarc Gbl Agg Ex USD TR	1.31	6.81	(18.70)	(18.70)	(5.94)	(3.07)	(1.64)	
REITs	FTSE Nareit All REITs TR	(5.09)	4.51	(25.10)	(25.10)	(0.46)	3.91	6.86
	Wilshire US REIT TR USD	(5.59)	4.05	(26.81)	(26.81)	(0.49)	3.35	6.31

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

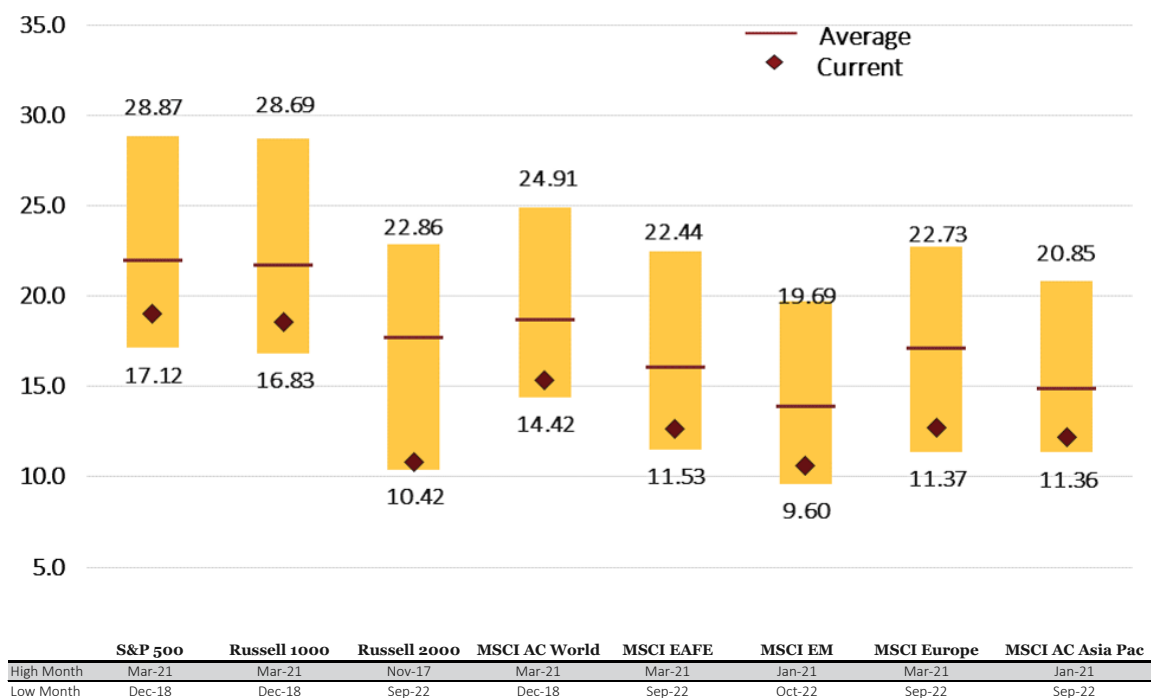
DeMarche Dashboard

Data and Commentary for Periods Ended 12/31/2022

December 2022

Page 4 of 6

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



Source: Morningstar

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2022 ¹	2023 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	3.20	1.80	0.50	3.70	3.83	-	-	6.00
China	3.90	3.30	4.60	5.70	2.95	6.90	6.37	0.60
Japan	-0.20	1.60	1.80	2.50	0.41	131.81	115.17	3.70
United Kingdom	-0.30	3.40	0.40	3.48	3.08	1.21	1.35	6.30
Euro Area	0.30	3.30	0.50	6.50	2.93	1.07	1.13	5.00
Germany	0.40	1.80	0.30	5.50	2.25	1.03	1.13	5.03
France	0.20	2.60	0.60	7.30	2.77	0.98	1.13	5.30
Italy	0.50	3.70	0.20	7.80	4.25	1.03	1.13	5.59
Canada	0.70	3.20	1.00	5.10	3.14	1.35	1.28	5.80
India	-1.40	6.60	5.70	8.30	7.32	82.47	75.39	5.88
Mexico	0.90	2.50	1.60	2.80	8.96	19.50	20.51	8.51
Brazil	0.40	2.80	1.20	8.30	13.23	5.29	5.57	8.00

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)

DeMarche Dashboard

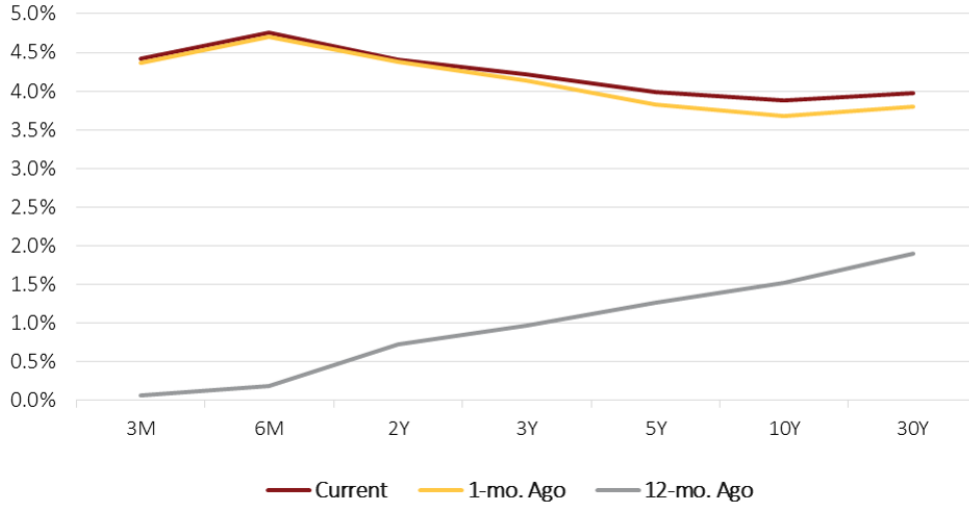
Data and Commentary for Periods Ended 12/31/2022

December 2022

Page 5 of 6

U.S. Treasury Yield Curves

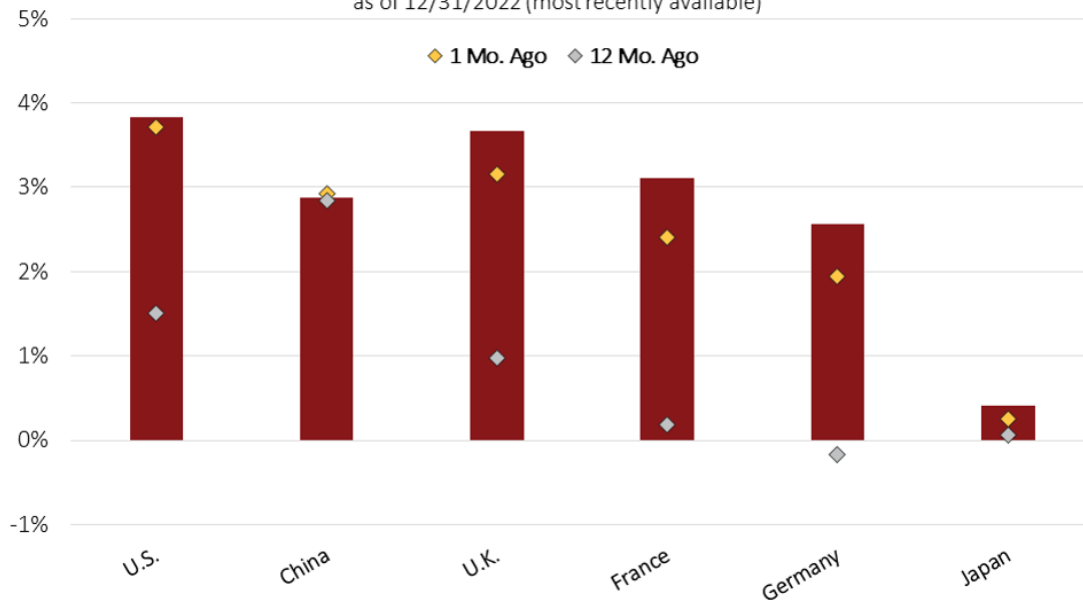
as of 12/31/2022



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 12/31/2022 (most recently available)



Source: Trading Economics

DeMarche Dashboard

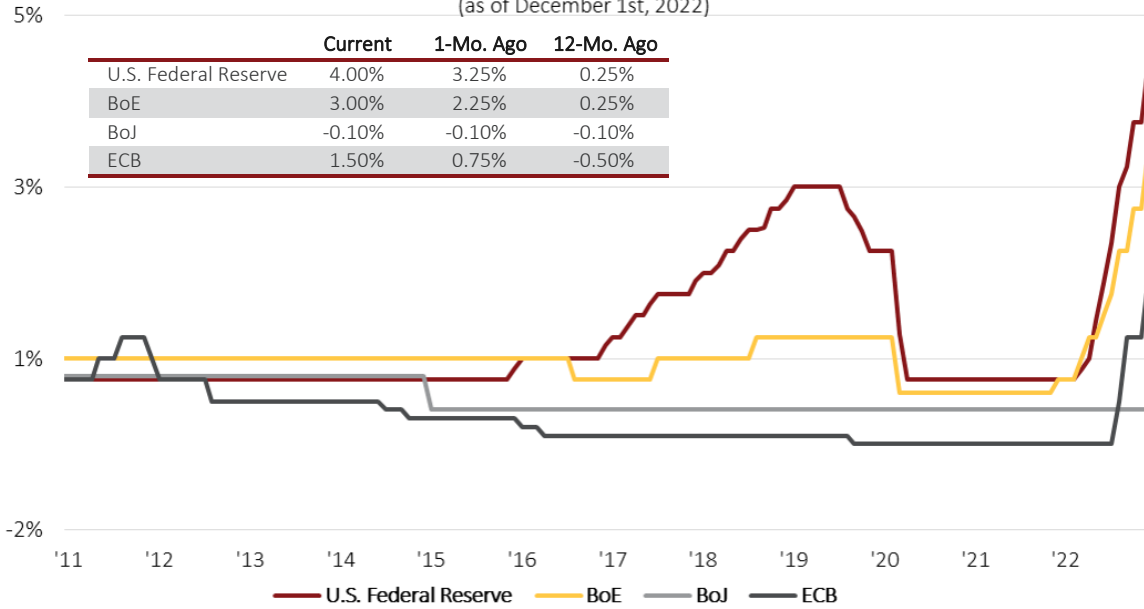
Data and Commentary for Periods Ended 12/31/2022

December 2022

Page 6 of 6

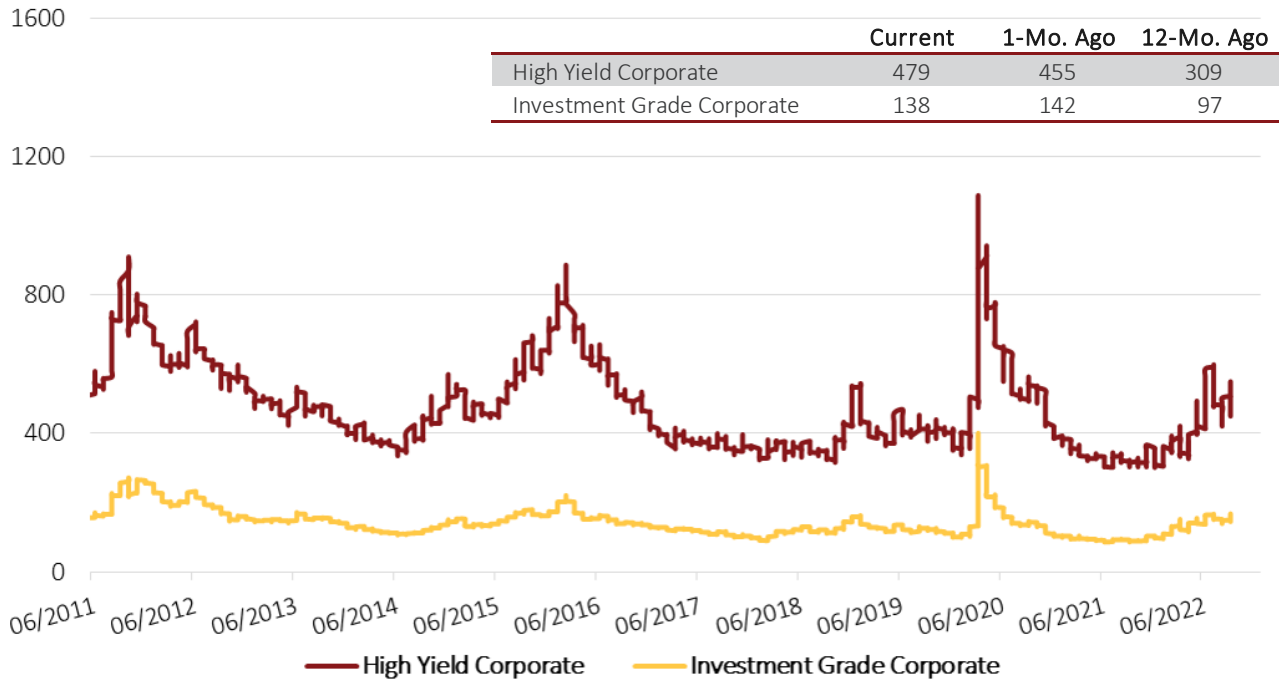
Central Bank Policy Rates

(as of December 1st, 2022)



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

Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank