

March 2022

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for Periods Ended 3/31/2022

## Global Overview

Global equity markets entered March facing significant global inflation concerns, which were compounded by Russia invading Ukraine and associated disruptions to oil and gas supplies in Europe. As a result, commodity prices across the globe continued to soar as Russia is a major commodity producer. After a broad-based decline in February, March showed signs of improvement even though the world witnessed severe energy price increases. During the month of March the S&P 500 Index was up 3.7% (down 4.6% during the first quarter), the MSCI EAFE Index up 0.6% (down 5.9% during the first quarter), and MSCI EM Index down 2.3% (down 7.0% during the first quarter).

## U.S. Markets & Economy

As Russian oil import bans pile on to only a gradual improvement in supply chain issues, inflation has remained the focus over the last month. Domestic equities had a difficult quarter as higher interest rates bring concerns that valuations may be hindered by declining consumer spending and corporate earnings. The US economy added 431,000 payrolls in March, below the consensus forecasts of 490,000, but still signaling a tight labor market. Overall, job growth averaged 562,000 per month in first quarter of 2022 as a sharp decline in coronavirus infections coupled with strong consumer demand has been keeping labor demand high. Employment is now down by 1.6 million, or 1%, from its pre-pandemic level in February 2020. The US manufacturing sector remains in a demand-driven, supply chain-constrained environment as the US ISM Manufacturing PMI fell to 57.1 in March of 2022 from 58.6 in February, well below market forecasts of 59 and pointing to the slowest growth in factory activity since September of 2020. In the wake of ongoing inflation concerns, small value continued to outperform growth as the Russell 2000 Value Index returned 2.0% in March (-2.4% for the quarter) versus the Russell 2000 Growth's 0.5% return in March (-12.6% for the quarter).

Fixed income markets were also concerned with persistent inflation and an expectation of the Fed to raise interest rates eight times in 2022, with the possibility of two possible 50 bps hikes in May and June. After the Fed raised rates on March 16th by 25 bps, interest rates across the curve increased, especially on the short end as the two-year Treasury Note increased 90 bps to yield 2.34% on March 31st versus 1.44% on February 28th. Consequently, the Bloomberg U.S. Aggregate Bond Index posted a -2.8% during the month, and year-to-date has fallen 5.9%. Given the change in sentiment, the S&P/LSTA Leveraged Loan Index was the only positive returning fixed income index, with a positive return of 0.1% in March.

## International Markets & Economy

Despite the continued rise in EU inflation, developed markets started to show some signs of life in March with the MSCI World Index up 2.7% during the month. The geopolitical unrest due to the Russian invasion of Ukraine added to inflationary pressures in the region with inflation increasing by 7.5% in the EU, after it posted a 5.9% rate in February. European natural gas and energy prices have increased by 500% since February. In order to improve sentiment, the Eurozone is working on updating fiscal policies and reducing pandemic restrictions by way of fuel tax cuts and other long-term tax cuts, which have contributed to the MSCI EAFE Index return of 0.6% in March. Prices could further be affected by attacks on Russian fuel depots. While Latin American countries begin to make a slow recovery, the

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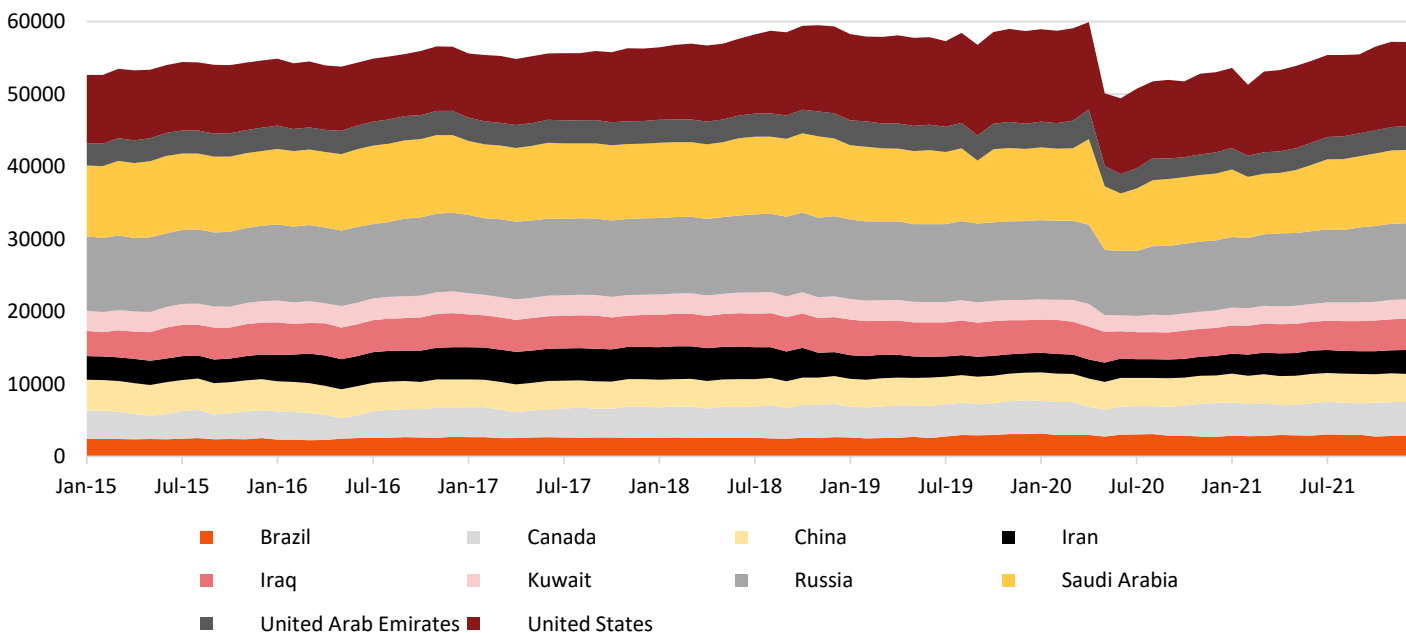
lockdown in Shanghai is stalling growth in China, which added fuel to the MSCI EM Index decline of 2.3% in March and the decline of 7.0% year-to-date.

## In the News

Since Russia's invasion of Ukraine, the EU is considering joining the US and UK in imposing sanctions on Russian oil and gas. As the third largest global oil producer, Russia's energy sector represents approximately 20% of the country's GDP and approximately 40% of Russia's revenue. Russian oil represented 25% of EU's oil imports and accounted for roughly 50% of Russia's oil exports. Germany, the largest EU country, is most reluctant on sanctioning Russian oil and gas. Germany estimates it would take until mid-summer to reduce imports by 50% and until the end of the year to completely eliminate importing Russian oil. Additional EU countries including France and Hungary are reluctant to impose Russian oil and gas sanctions due to upcoming government elections, with resulting higher energy prices likely to create voter backlash. In addition to making the Russian economy uninvestable, the ban could set back the global economy many years due to the significant loss in supply and causing around 1.5 million people in the industry to lose their jobs. Although the ban is strongly supported by Poland and the Baltic states, the ban would need support from all 27 EU members in order to be put in effect. The Chart of the Month displays the importance of Russian oil to the EU. There are not many adjoining options for the EU to utilize as energy alternatives. The EU is currently in talks with the Middle East, Asian energy buyers, and the US in order to replace their Russian energy dependence.

## Chart of the Month

### Crude Oil Production (Millions of Barrels Per Day)



Source: U.S. Energy Information Administration

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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	2.74	(5.15)	(5.15)	10.12	14.98	12.42	10.88
	BBgBarc US Agg Bond TR USD	(2.78)	(5.93)	(5.93)	(4.15)	1.69	2.14	2.24
	Russell 3000 TR USD	3.24	(5.28)	(5.28)	11.92	18.24	15.40	14.28
	DJ Industrial Average TR USD	2.49	(4.10)	(4.10)	7.11	12.57	13.40	12.77
	NASDAQ Composite PR USD	3.41	(9.10)	(9.10)	7.35	22.53	19.19	16.49
	MSCI EAFE NR USD	0.64	(5.91)	(5.91)	1.16	7.78	6.72	6.27
	FTSE Treasury Bill 3 Mon USD	0.02	0.03	0.03	0.06	0.76	1.09	0.60
	Bloomberg Commodity TR USD	8.65	25.55	25.55	49.25	16.12	9.00	(0.70)
Domestic Equities	S&P 500 TR USD	3.71	(4.60)	(4.60)	15.65	18.92	15.99	14.64
	S&P MidCap 400 TR	1.38	(4.88)	(4.88)	4.59	14.14	11.10	12.20
	S&P SmallCap 600 TR USD	0.37	(5.62)	(5.62)	1.23	13.58	10.89	12.56
	Russell 1000 TR USD	3.37	(5.13)	(5.13)	13.27	18.71	15.82	14.53
	Russell 1000 Growth TR USD	3.91	(9.04)	(9.04)	14.98	23.60	20.88	17.04
	Russell 1000 Value TR USD	2.82	(0.74)	(0.74)	11.67	13.02	10.29	11.70
	Russell Mid Cap TR USD	2.56	(5.68)	(5.68)	6.92	14.89	12.62	12.85
	Russell Mid Cap Growth TR USD	1.61	(12.58)	(12.58)	(0.89)	14.81	15.10	13.52
	Russell Mid Cap Value TR USD	3.04	(1.82)	(1.82)	11.45	13.69	9.99	12.01
	Russell 2000 TR USD	1.24	(7.53)	(7.53)	(5.79)	11.74	9.74	11.04
	Russell 2000 Growth TR USD	0.46	(12.63)	(12.63)	(14.33)	9.88	10.33	11.21
	Russell 2000 Value TR USD	1.96	(2.40)	(2.40)	3.32	12.73	8.57	10.54
International Equities	MSCI ACWI Ex USA NR USD	0.16	(5.44)	(5.44)	(1.48)	7.51	6.76	5.55
	MSCI EAFE NR USD	0.64	(5.91)	(5.91)	1.16	7.78	6.72	6.27
	MSCI EAFE Growth NR USD	0.61	(11.94)	(11.94)	(1.48)	9.78	8.94	7.46
	MSCI EAFE Value NR USD	0.67	0.33	0.33	3.55	5.24	4.18	4.87
	MSCI Japan NR USD	(0.50)	(6.61)	(6.61)	(6.47)	6.84	6.10	6.46
	MSCI AC Asia Ex Japan NR USD	(2.77)	(7.99)	(7.99)	(14.64)	5.14	6.75	5.75
	MSCI Europe NR USD	(0.10)	(7.37)	(7.37)	3.51	8.23	6.92	6.27
	MSCI United Kingdom NR USD	0.14	1.83	1.83	13.63	5.34	5.50	4.48
	MSCI EAFE Small Cap NR USD	(0.04)	(8.53)	(8.53)	(3.63)	8.51	7.42	8.30
	MSCI EM NR USD	(2.26)	(6.97)	(6.97)	(11.37)	4.94	5.98	3.36
Fixed Income	BBgBarc US Govt/Credit TR USD	(2.85)	(6.33)	(6.33)	(3.85)	2.12	2.44	2.45
	BBgBarc US Govt/Credit Interm TR USD	(2.45)	(4.51)	(4.51)	(4.10)	1.50	1.81	1.85
	BBgBarc US Govt/Credit Long TR USD	(3.93)	(10.95)	(10.95)	(3.11)	4.23	4.60	4.72
	ICE BofA US High Yield TR USD	(0.93)	(4.51)	(4.51)	(0.29)	4.40	4.56	5.70
	Credit Suisse HY USD	(0.83)	(4.17)	(4.17)	(0.24)	4.28	4.42	5.50
	S&P/LSTA Leveraged Loan TR	0.05	(0.10)	(0.10)	3.25	4.22	4.01	4.30
	FTSE WGBI NonUS USD	(0.60)	(5.98)	(5.98)	(9.48)	6.48	6.62	6.11
	BBgBarc Gbl Agg Ex USD TR	(0.60)	(5.98)	(5.98)	(9.48)	6.48	6.62	6.11
REITs	FTSE Nareit All REITs TR	6.86	(5.24)	(5.24)	22.18	11.05	10.21	10.33
	Wilshire US REIT TR USD	6.85	(3.87)	(3.87)	29.14	11.94	10.04	9.90

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

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Source: Morningstar

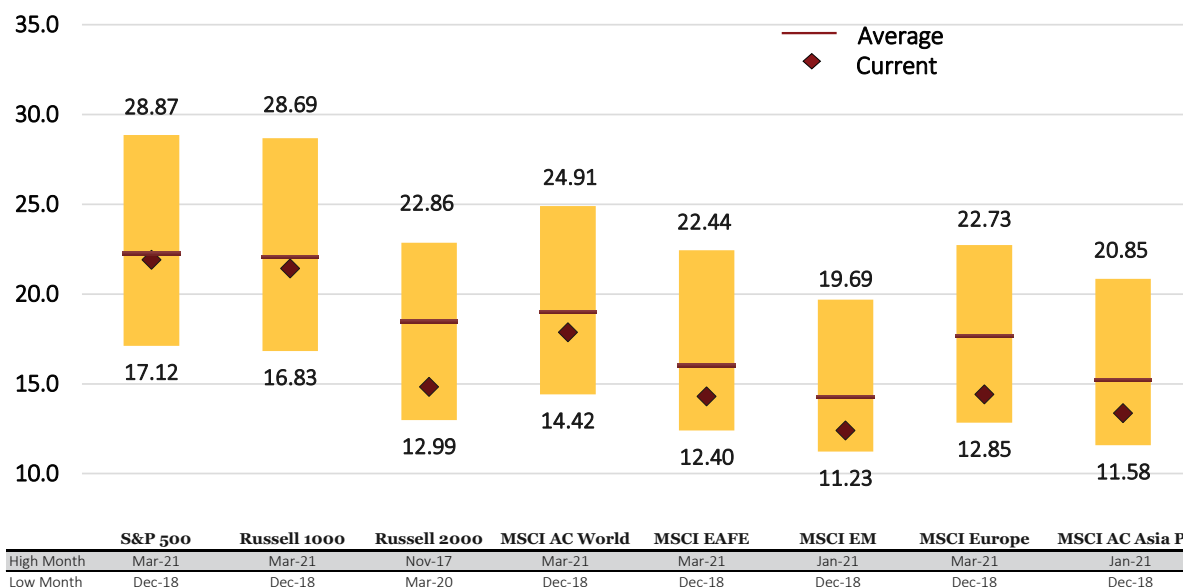
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## Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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>	6.90	3.70	2.40	3.60	2.43	-	-	6.40
<b>China</b>	1.60	5.10	5.10	5.50	2.82	6.37	6.55	1.10
<b>Japan</b>	1.10	3.40	1.10	2.70	0.21	121.98	109.13	0.60
<b>United Kingdom</b>	1.30	4.70	2.10	3.90	1.58	1.32	1.37	5.20
<b>Euro Area</b>	0.30	4.30	2.50	6.80	0.94	1.10	1.18	3.00
<b>Germany</b>	-0.30	4.10	2.40	5.00	0.53	1.10	1.18	3.70
<b>France</b>	0.70	4.20	2.10	7.40	1.02	1.10	1.18	2.50
<b>Italy</b>	0.60	4.60	2.60	8.50	2.10	1.10	1.18	2.00
<b>Canada</b>	1.60	3.90	2.80	5.50	2.44	1.25	1.26	4.80
<b>India</b>	12.70	8.10	5.50	8.10	6.84	74.97	72.81	6.01
<b>Mexico</b>	0.00	3.30	2.50	3.70	8.34	19.94	20.78	6.59
<b>Brazil</b>	0.50	1.40	2.10	11.20	11.02	4.76	5.64	8.64

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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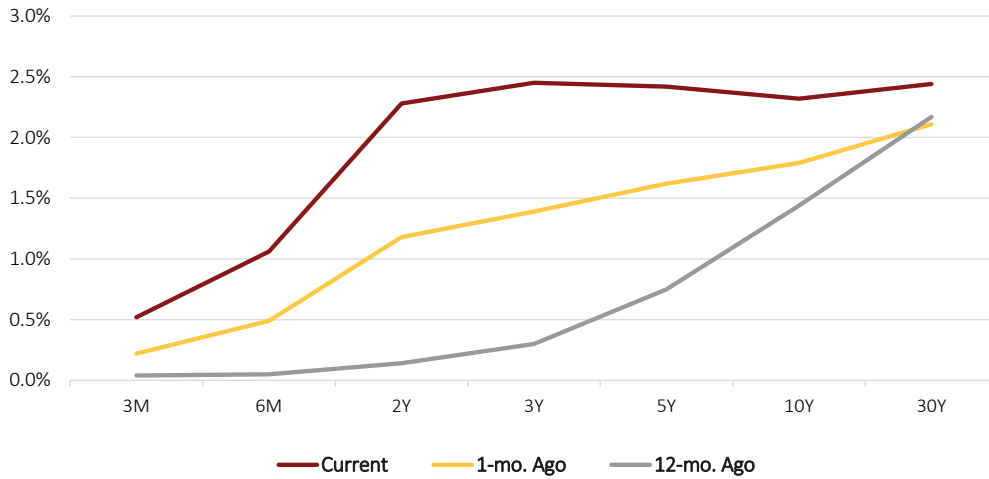
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## U.S. Treasury Yield Curves

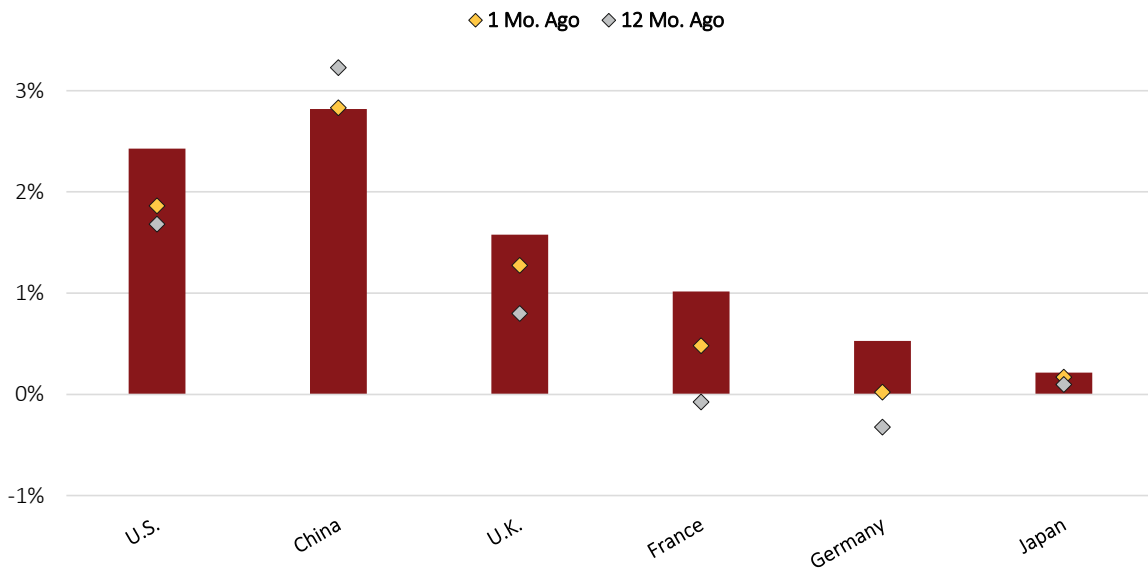
as of 3/31/2022



Source: Federal Reserve Bank

## 10-Year Sovereign Yields

as of 3/31/2022 (most recently available)



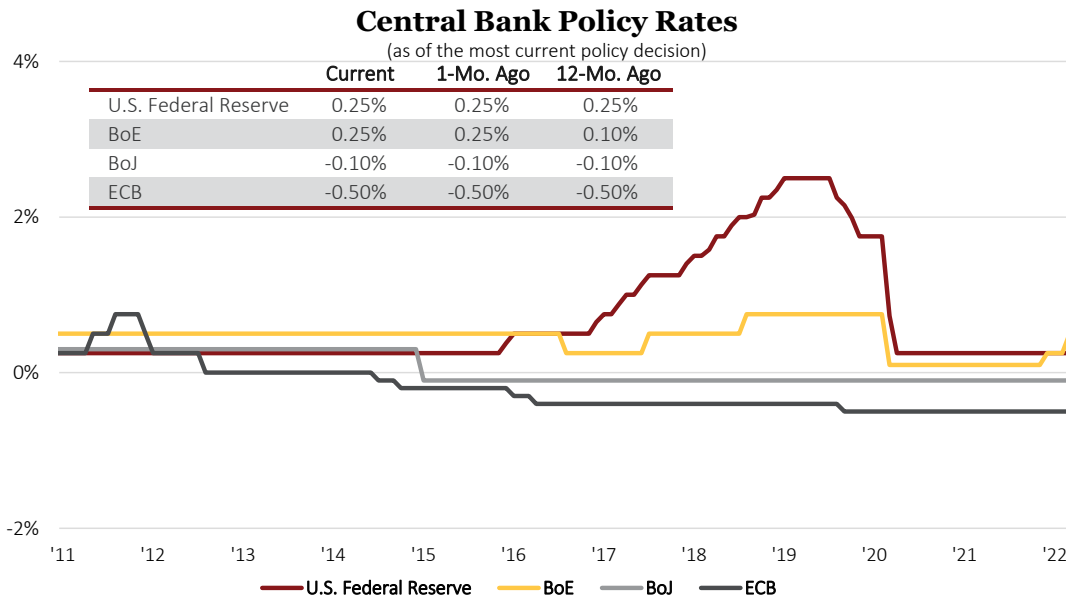
Source: Trading Economics

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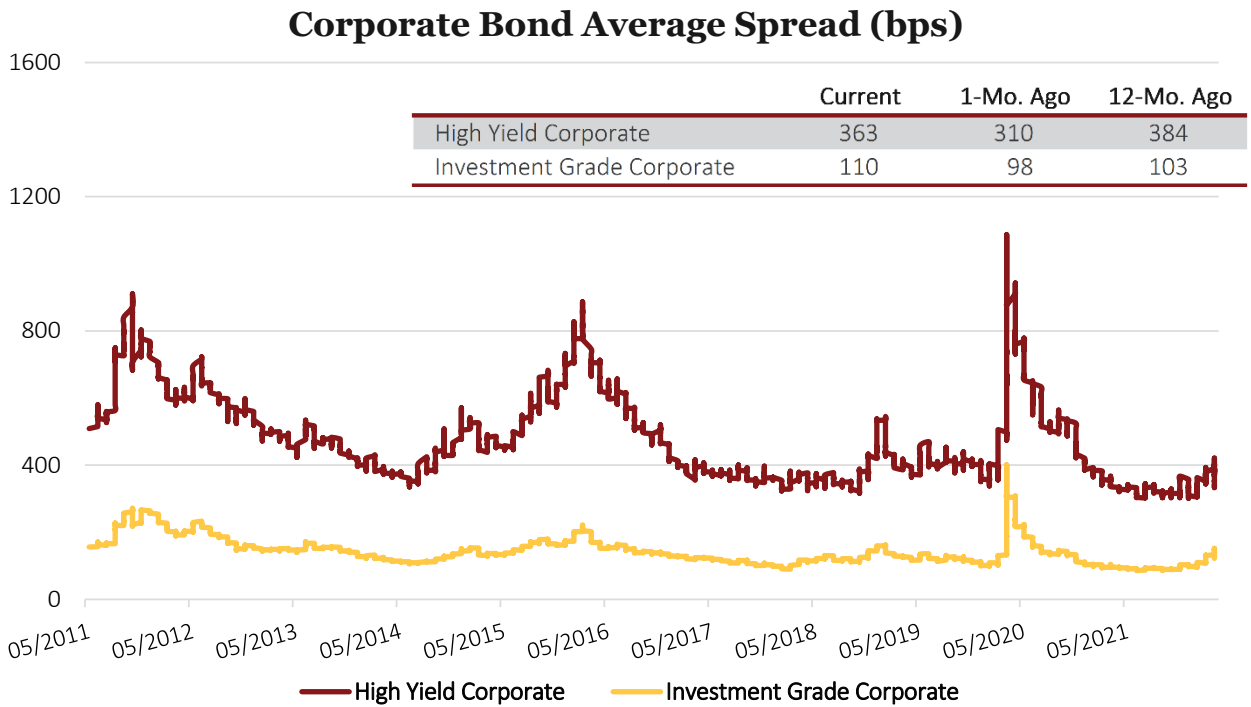
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics



Source: Federal Reserve Bank