

August 2022

# DeMarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 8/31/2022

## Global Overview

As the global markets continue to digest sustained levels of high inflation and signs of slowing global growth, central banks have continued raising rates. Global central banks remain focused on Headline and Core CPI reports with consensus expectations pointing to the Fed and the ECB each raising rates by another 75 bps in September. Rising interest rates and talks of a potential global recession caused most markets to decline in August. The S&P 500 Index declined 4.1% during the month (down 16.1% year-to-date), and the MSCI EAFE declined 4.8% in August (down 19.6% year-to-date).

## U.S. Markets & Economy

Following positive returns in July, the domestic equity market pulled back in mid-August when Fed Chair Powell spoke at the Jackson Hole symposium about continuing to be aggressive on curbing inflation, even if that means growth takes a bigger hit than desired. Fed Chair Powell and other central bank officials' comments about inflation concerns increased the odds of another 75 bps hike in the fed funds rate next month. Given the current market environment, Fed officials have stated short-term rates will likely be raised above 3.5% by year-end and holding it at that level through 2023 in order to combat high inflation. During the same week, the ADP employment report showed private businesses in the US added 132K jobs in August, compared to a downwardly revised 526K jobs added in July, in a sign the labor market may be cooling. US Manufacturing PMI also reported a decline in August with a reading of 51.5 from 52.2 in July, indicating the slowest growth in factory activity since July 2020. The declining PMI was primarily the result of three straight months of new orders falling as client demand has weakened due to inflation and economic uncertainty. US Services PMI was revised lower to 43.7 for August as compared to the prior month's 47.3 report. As investors sought to de-risk portfolios in August, the technology and consumer discretionary sectors were the worst performers, followed by industrials and financials.

The fixed income markets declined as Treasury rates increased across the curve. High yield credit spreads widened 20 bps during the month with investment grade credit spreads tightening five bps. The Bloomberg US Aggregate Index returned a negative 2.8% in August, and has declined 10.8% year-to-date. One of the few markets posting a positive return for the month was bank loans with the S&P/LSTA Leveraged Loan Index reporting a 1.5% return in August while still down 1.0% year-to-date.

## International Markets & Economy

While the Ukraine and Russia conflict persists so do the inflationary pressures caused by the conflict's disruptions to Europe's energy, food, and commerce. Due to the persistently high inflation, the ECB is looking to make another 75 basis point rate hike in September. Core inflation and Headline CPI are still surging in the euro area and hit new highs in August as headline inflation increased from 8.9% to 9.1%, despite inflation in the US and Emerging Markets slowing. In the wake of these challenges, the MSCI Europe Index fell 6.2% for the month. In Asia, China's zero-tolerance COVID policy placed the city of Chengdu (with a population of 22 million) in lockdown, the second largest lockdown since Shanghai. Droughts in the US, China, and Europe presented additional pressures to the global supply chain, primarily in industries including electricity, agriculture, and manufacturing. China's ongoing policy decisions combined with the supply chain challenges outlined above led to a broadly pessimistic outlook for many global markets. However, there were a few bright spots in the Emerging Markets showing small signs of recovery as both

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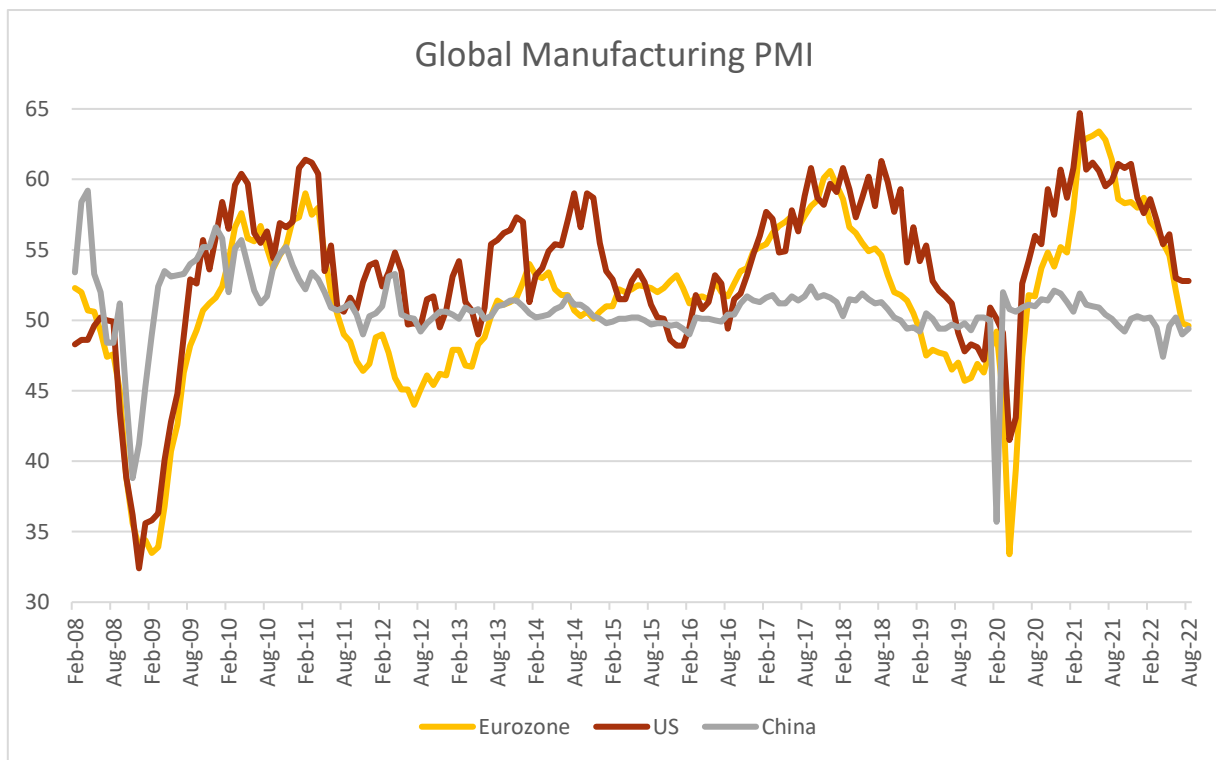
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India and Turkey reported a rebound in GDP while investor capital flowed into EM debt, helping the MSCI EM Index gain 0.42% for the month.

## In the News

The Purchasing Managers Index (PMI) shows the general course of economic trends through surveying supply chain managers across 19 industries. Since the beginning of the year, the PMI in both the service and manufacturing sectors has been steadily declining, contributing to the overall PMI drop year-to-date. The service PMI in the US at the beginning of the year was reported as 57.6 compared to 43.7 in August. As seen below in the Chart of the Month, the US manufacturing PMI has been falling as well from 57.6 to 51.5 since the beginning of the year. However, both manufacturing and service PMI have been dropping off since mid-2021 around when supply chain pressures, brought about by the pandemic, began to impact global trade. Currently, high interest rates and inflation have depressed consumer spending, contributing to the weakening PMIs this year. The Eurozone reported a stall in PMI as liquidity tightened, while China's manufacturing PMI is back into contraction (<50), after teetering around 50 since mid-2021. Consumer demand in China has been fading causing factories to shrink and reduce output, which may also be contributing to Taiwan's and South Korea's declining PMIs. Although global PMIs have been weakening, declining input prices from falling crude oil and gas prices might ease the pressures in the manufacturing sector.

## Chart of the Month



Sources: <https://www.investing.com/economic-calendar/manufacturing-pmi-201>

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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	(4.18)	(5.53)	(17.78)	(15.08)	8.77	7.85	9.47
	BBgBarc US Agg Bond TR USD	(2.83)	(2.01)	(10.75)	(11.52)	(2.00)	0.52	1.35
	Russell 3000 TR USD	(3.73)	(3.51)	(16.92)	(13.28)	11.90	11.29	12.77
	DJ Industrial Average TR USD	(3.72)	(3.90)	(12.01)	(9.07)	8.33	9.88	11.77
	NASDAQ Composite PR USD	(4.64)	(2.20)	(24.47)	(22.56)	14.06	12.95	14.44
	MSCI EAFE NR USD	(4.75)	(9.28)	(19.57)	(19.80)	2.39	1.63	5.00
	FTSE Treasury Bill 3 Mon USD	0.15	0.32	0.43	0.44	0.56	1.10	0.64
	Bloomberg Commodity TR USD	0.09	(6.89)	23.59	27.72	17.15	8.75	(1.15)
Domestic Equities	S&P 500 TR USD	(4.08)	(3.88)	(16.14)	(11.23)	12.39	11.82	13.08
	S&P MidCap 400 TR	(3.10)	(2.92)	(13.58)	(10.37)	10.58	8.71	11.32
	S&P SmallCap 600 TR USD	(4.39)	(3.80)	(14.74)	(12.12)	10.40	8.65	11.50
	Russell 1000 TR USD	(3.84)	(3.69)	(16.90)	(12.96)	12.14	11.61	12.98
	Russell 1000 Growth TR USD	(4.66)	(1.67)	(23.19)	(19.06)	14.51	14.78	15.09
	Russell 1000 Value TR USD	(2.98)	(5.58)	(9.85)	(6.23)	8.87	7.86	10.52
	Russell Mid Cap TR USD	(3.14)	(4.20)	(16.53)	(14.82)	9.36	9.17	11.61
	Russell Mid Cap Growth TR USD	(3.28)	0.45	(25.09)	(26.69)	6.98	10.16	12.06
	Russell Mid Cap Value TR USD	(3.06)	(6.29)	(11.80)	(7.80)	9.55	7.49	10.81
	Russell 2000 TR USD	(2.05)	(0.72)	(17.16)	(17.88)	8.59	6.95	10.01
	Russell 2000 Growth TR USD	(0.94)	3.33	(22.29)	(25.26)	5.93	6.69	10.16
	Russell 2000 Value TR USD	(3.16)	(4.28)	(12.17)	(10.18)	10.37	6.56	9.49
International Equities	MSCI ACWI Ex USA NR USD	(3.22)	(8.51)	(18.34)	(19.52)	2.87	1.67	4.48
	MSCI EAFE NR USD	(4.75)	(9.28)	(19.57)	(19.80)	2.39	1.63	5.00
	MSCI EAFE Growth NR USD	(6.07)	(7.32)	(25.80)	(25.77)	2.32	3.14	6.05
	MSCI EAFE Value NR USD	(3.37)	(11.18)	(13.31)	(13.91)	1.89	(0.29)	3.70
	MSCI Japan NR USD	(2.55)	(5.13)	(17.87)	(18.96)	2.31	1.97	6.23
	MSCI AC Asia Ex Japan NR USD	(0.01)	(5.65)	(17.30)	(21.73)	3.84	1.51	5.16
	MSCI Europe NR USD	(6.23)	(11.38)	(22.05)	(21.57)	2.22	1.23	4.70
	MSCI United Kingdom NR USD	(5.64)	(10.55)	(10.77)	(7.66)	2.74	1.45	3.07
	MSCI EAFE Small Cap NR USD	(4.43)	(9.30)	(23.29)	(25.98)	2.85	1.21	7.06
	MSCI EM NR USD	0.42	(6.49)	(17.49)	(21.80)	2.74	0.59	2.92
Fixed Income	BBgBarc US Govt/Credit TR USD	(2.61)	(2.07)	(11.49)	(12.28)	(2.04)	0.67	1.45
	BBgBarc US Govt/Credit Interm TR USD	(2.00)	(1.51)	(7.14)	(8.20)	(0.87)	0.84	1.29
	BBgBarc US Govt/Credit Long TR USD	(4.39)	(3.75)	(22.51)	(22.69)	(5.24)	0.36	2.17
	ICE BofA US High Yield TR USD	(2.39)	(3.56)	(11.04)	(10.43)	0.80	2.43	4.44
	Credit Suisse HY USD	(2.17)	(3.20)	(10.27)	(9.56)	0.90	2.42	4.34
	S&P/LSTA Leveraged Loan TR	1.54	1.48	(1.01)	0.37	3.16	3.53	3.89
	FTSE WGBI NonUS USD	(0.94)	(5.66)	(16.47)	(19.51)	3.45	2.04	5.50
	BBgBarc Gbl Agg Ex USD TR	(0.94)	(5.66)	(16.47)	(19.51)	3.45	2.04	5.50
REITs	FTSE Nareit All REITs TR	(5.92)	(5.13)	(17.45)	(10.32)	3.73	6.32	8.04
	Wilshire US REIT TR USD	(5.90)	(5.77)	(19.82)	(10.88)	3.13	5.59	7.35

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

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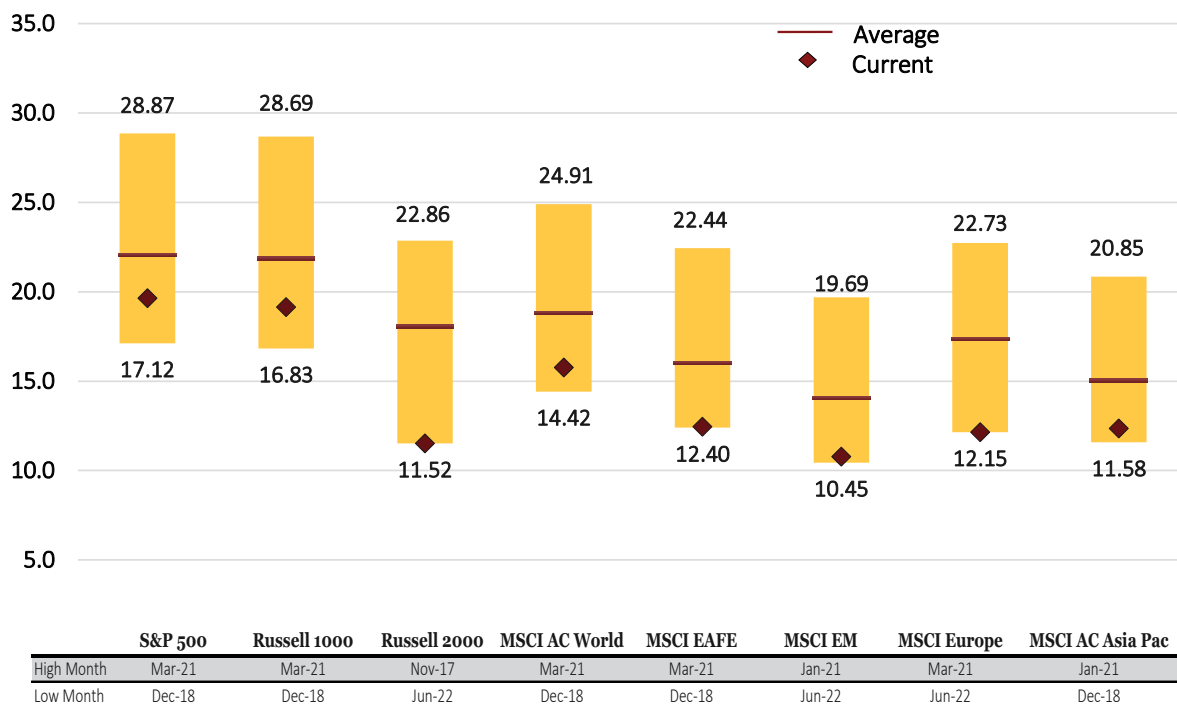
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## Current Trailing P/E vs. Trailing 5-Year High, Low, Average



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>	-0.60	2.50	1.20	3.70	3.20	-	-	5.90
<b>China</b>	-2.60	4.40	4.90	5.40	2.74	6.87	6.48	0.80
<b>Japan</b>	0.50	1.70	1.80	2.60	0.24	137.07	110.09	2.40
<b>United Kingdom</b>	-0.10	3.60	0.00	3.80	2.94	1.18	1.37	6.20
<b>Euro Area</b>	0.60	2.60	1.60	6.60	2.09	1.00	1.18	4.30
<b>Germany</b>	0.10	1.90	1.70	5.50	1.56	1.02	1.18	3.18
<b>France</b>	0.50	2.40	1.40	7.40	2.20	0.98	1.18	4.30
<b>Italy</b>	1.10	2.50	1.20	7.90	3.95	1.02	1.18	4.40
<b>Canada</b>	0.80	3.80	2.60	5.40	2.98	1.30	1.27	6.10
<b>India</b>	0.80	6.90	6.20	8.30	7.18	79.59	74.54	6.71
<b>Mexico</b>	0.90	1.90	2.10	3.40	9.11	19.91	20.36	8.05
<b>Brazil</b>	1.20	0.60	1.20	9.10	12.19	5.08	5.24	9.11

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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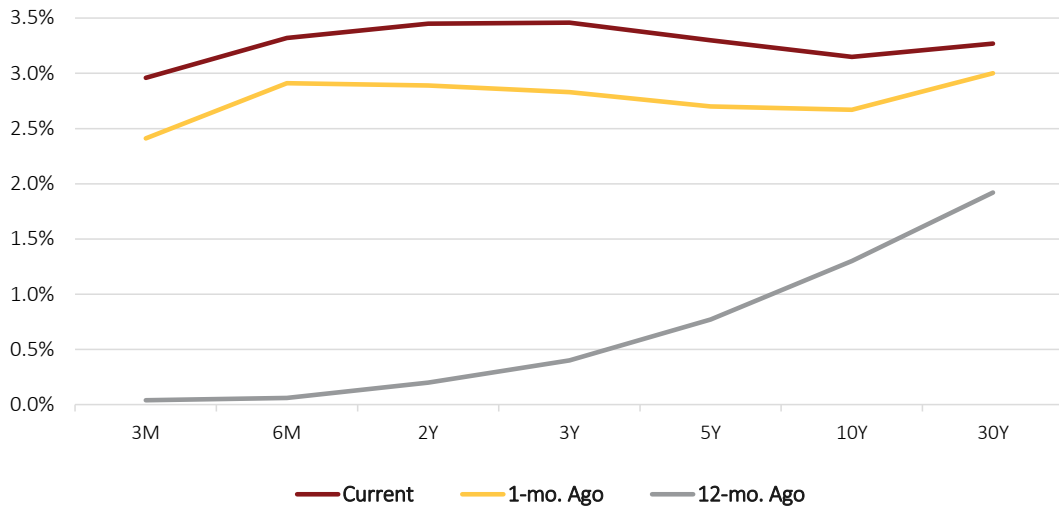
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## U.S. Treasury Yield Curves

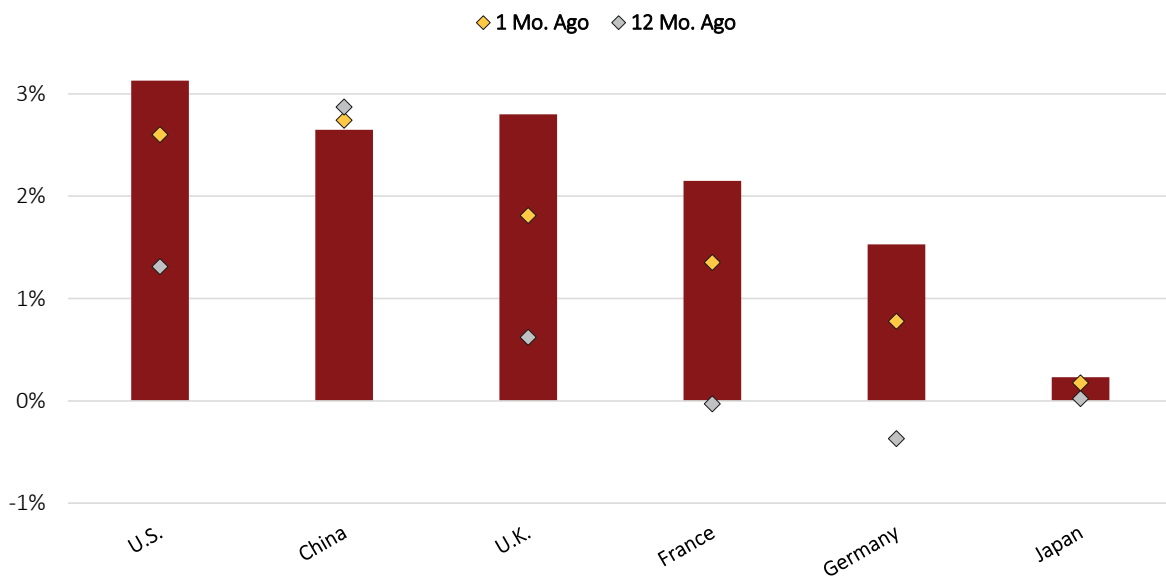
as of 8/31/2022



Source: Federal Reserve Bank

## 10-Year Sovereign Yields

as of 8/31/2022 (most recently available)



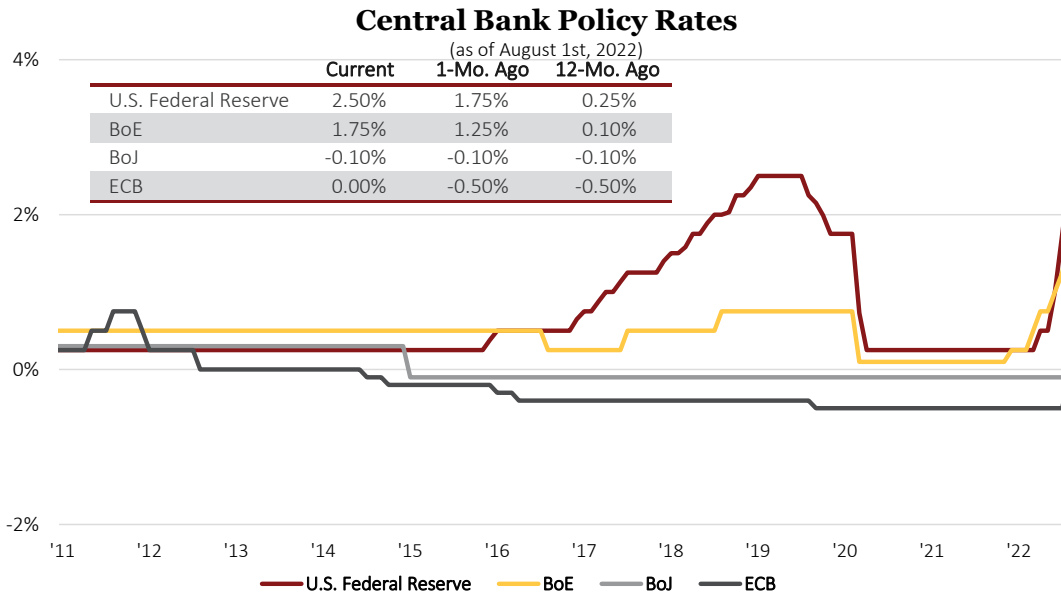
Source: Trading Economics

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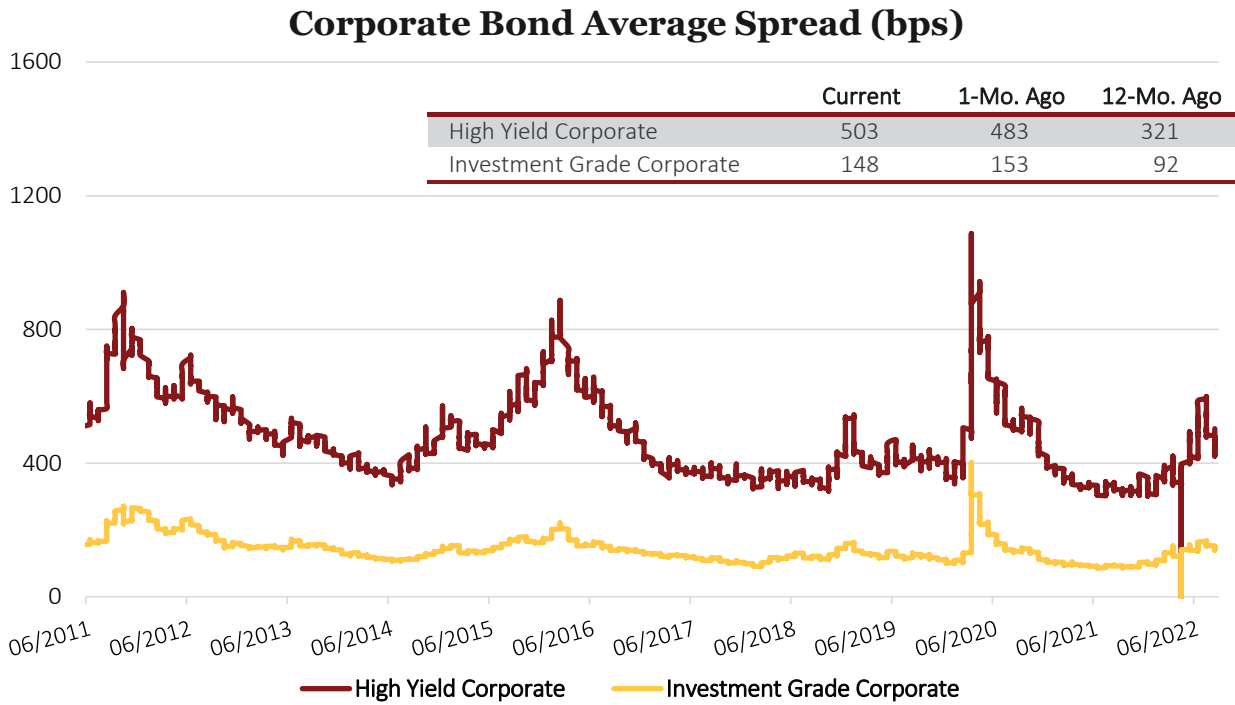
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Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics



Source: Federal Reserve Bank