

Open-End Net Fund Flows (\$)	11/22	10/22	YTD (Nov)
Equity	-65.72B	-51.86B	-377.13B
Taxable Bond	-24.60B	-41.01B	-356.24B
Municipal Bond	-9.92B	-17.67B	-132.26B
Hybrid	-8.08B	-13.66B	-85.38B
Taxable Money Market	59.38B	19.53B	-121.34B

Key Interest Rates/Yields	12/30/22	6/30/22	12/31/21
Federal Funds Target Rate	4.50%	1.75%	0.25%
2-Year T-Note	4.43%	2.96%	0.73%
5-Year T-Note	4.01%	3.04%	1.26%
10-Year T-Note	3.88%	3.02%	1.51%
Bond Buyer 40	4.67%	4.51%	3.45%

Commodities/U.S. Dollar	12/22	YTD	12 Mo.
U.S. Dollar Index (DXY)	-2.29%	8.21%	8.21%
Refinitiv/CC CRB Excess Ret.	-0.72%	19.53%	19.53%
Crude Oil/WTI (per Barrel)	-0.36%	6.71%	6.71%
Natural Gas (per million BTUs)	-35.43%	19.97%	19.97%
Gold Bullion (Ounce)	4.59%	-0.13%	-0.13%

Total Return Performance

U.S. Stock Indices	12/22	YTD	12 Mo.
S&P 500	-5.77%	-18.13%	-18.13%
DJIA	-4.09%	-6.86%	-6.86%
Nasdaq 100	-9.01%	-32.38%	-32.38%
S&P MidCap 400	-5.54%	-13.10%	-13.10%
Russell 2000	-6.49%	-20.46%	-20.46%
Russell 3000	-5.86%	-19.22%	-19.22%

U.S. Styles/Market Caps	12/22	YTD	12 Mo.
S&P 500 Growth	-7.62%	-29.41%	-29.41%
S&P 500 Value	-3.93%	-5.25%	-5.25%
S&P MidCap 400 Growth	-6.02%	-19.01%	-19.01%
S&P MidCap 400 Value	-5.05%	-7.01%	-7.01%
Russell 2000 Growth	-6.42%	-26.39%	-26.39%
Russell 2000 Value	-6.57%	-14.50%	-14.50%

Foreign Stock Indices (USD)	12/22	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-0.48%	-14.29%	-14.29%
MSCI Emerging Markets NET	-1.41%	-20.09%	-20.09%
MSCI Europe NET	0.01%	-15.06%	-15.06%
MSCI BRIC NET	1.17%	-21.12%	-21.12%
MSCI EM Latin America NET	-4.04%	8.92%	8.92%
Nikkei 225	-0.60%	-18.57%	-18.57%

Bloomberg Fixed Income Ind.	12/22	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.24%	-7.77%	-7.77%
GNMA 30 Year	-0.77%	-10.77%	-10.77%
Municipal Bond (22+)	-0.28%	-15.58%	-15.58%
U.S. Aggregate	-0.45%	-13.01%	-13.01%
Intermediate Corporate	-0.07%	-9.40%	-9.40%
U.S. Corporate High Yield	-0.62%	-11.19%	-11.19%
Global Aggregate	0.54%	-16.25%	-16.25%
EM Hard Currency Aggregate	1.08%	-16.60%	-16.60%

Sources: Bloomberg and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

What a difference a year can make. While 2021 certainly had its share of headwinds, their impact on the U.S. financial markets was subdued. That changed in 2022. Pressured by runaway consumer prices, the Federal Reserve sprang into action. Over the course of seven rate hikes, they increased the federal funds target rate (upper bound) from 0.25% (where it stood in March), to 4.50% as of 12/30/22. In the U.S., housing affordability fell to a decade low as mortgage rates surged along with the federal funds rate, according to the National Association of Homebuilders. The personal savings rate plummeted as well, registering quarter-over-quarter declines in each of the last five quarters through 9/30/22, according to the U.S. Bureau of Economic Analysis. Job creation has been relatively strong but the labor market is expected to weaken as companies freeze hiring and announce layoffs in 2023 (see Takeaway section below).

Stock Market

The S&P 500 Index ("index") closed December 2022 at 3,839.50, -19.95% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 16.50% and 21.04%, respectively, below their record closing highs as of 12/30/22. In December 2022, the S&P 500 Index posted a total return of -5.77%. All 11 of the major sectors that comprise the index were down on a total return basis. The top-performer was Utilities, down 0.53%, while the worst showing came from Consumer Discretionary, down 11.26%. The S&P 500 Index posted a total return of -18.13% year-to-date through 12/30/22. Two of the 11 major sectors were up on a total return basis. The index's top performer was Energy, up 65.43%, while the worst showing came from Communication Services, down 39.89%. This was the worst calendar year for the S&P 500 Index since 2008, according to CNBC. However, DataTrek reported that just five trading sessions accounted for more than 95% of the losses in the S&P 500 Index in 2022, according to MarketWatch. For comparative purposes, an investor who missed the five best trading days in the year would have achieved a total return that was 13.11% lower than one who stayed invested for the entire time, according to data from Bloomberg. Trying to time the market is a fruitless endeavor, in our opinion. As things stand, many strategists are forecasting a relatively flat market in 2023. A Bloomberg survey of 22 equity strategists found that their average 2023 year-end price target for the S&P 500 Index was 4,078 as of 12/19/22, according to its own release. Estimates for earnings growth for 2023 have plunged throughout the year. Bloomberg's consensus estimated 2023 earnings growth rate for the S&P 500 Index stood at 9.97% on 12/31/21, but has been revised down to 2.18% as of 12/30/22, according to Bloomberg.

Bond Market

The yield on the benchmark 10-year Treasury Note (T-note) closed trading on 12/30/22 at 3.88%, up 27 basis points (bps) from its 3.61% close on 11/30/22, according to Bloomberg. The 3.88% yield stood 173 bps above its 2.15% average for the 10-year period ended 12/30/22. The total returns for the major bond categories we track reflect a dismal showing in 2022 (see Bloomberg Fixed Income Indices). A December 2022 Bloomberg survey of economists revealed that 70% expect a recession at some point in 2023. It appears that the yield curve agrees. The yield on the 2-year T-note stood 55 bps higher than the yield on the 10-year T-note at the end of December. This marks the sixth consecutive month that the yield curve between these two benchmarks has been inverted. In past recessionary environments, high-yield credit spreads peaked near 800 bps over Treasury bonds, according to Bloomberg. As of 12/27/22, the spread between the two was 452 bps. Under their baseline scenario, Moody's expects U.S. high-yield spreads to widen to 574 bps by November 2023, contributing to a speculative-grade global default rate of 4.9%. Under Moody's moderately pessimistic and severely pessimistic scenarios, U.S. high-yield spreads could widen to 1,039 bps and 1,385 bps, contributing to potential global speculative-grade default rates of 9.0% and 12.6%, respectively over the period. The peak default rate for global speculative-grade bonds during the global financial crisis was 13.5%.

Takeaway

Job creation has provided a respite from dreary economic data in recent months, but that is expected to change in 2023. Nearly 125,000 employees have lost their jobs since June 2022 as more than 120 U.S. companies announced layoffs, according to *Forbes*. Under their baseline scenario, Moody's expects the U.S. unemployment rate to rise from 3.7% as of 11/30/22 to 5.0% by November 2023. With so much negative news, it is natural for investors to consider trying to time the markets with their investments. This short-term view could prove costly, in our opinion. Since 1928, the S&P 500 Index has only fallen for two straight years on four occasions: The Great Depression, World War II, the oil crisis of the 1970s and the burst of the dot-com bubble, according to Bloomberg. While we expect the start of the year to have its share of difficulties, we're more optimistic about the second half.

Data as of 12/30/22

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4796.56	1/3/2022	1426.19	12/31/2012	3839.50	-19.95%	-18.13%	1.76%
S&P 500 Growth	3423.28	12/27/2021	761.33	12/31/2012	2361.04	-31.03%	-29.41%	1.46%
S&P 500 Value	1571.24	1/12/2022	657.37	12/31/2012	1434.59	-8.70%	-5.25%	2.09%
S&P MidCap 400	2910.70	11/16/2021	1020.43	12/31/2012	2430.38	-16.50%	-13.10%	1.84%
S&P MidCap 400 Growth	1427.19	11/16/2021	463.62	12/31/2012	1110.03	-22.22%	-19.01%	1.43%
S&P MidCap 400 Value	908.15	11/15/2021	353.01	12/31/2012	810.29	-10.78%	-7.01%	2.27%
S&P 100	2219.44	1/3/2022	646.61	12/31/2012	1709.17	-22.99%	-20.87%	1.73%
DJIA	36799.65	1/4/2022	13104.14	12/31/2012	33147.25	-9.93%	-6.86%	2.07%
Nasdaq 100	16573.34	11/19/2021	2660.93	12/31/2012	10939.76	-33.99%	-32.38%	0.99%
Russell 2000	2442.74	11/8/2021	849.35	12/31/2012	1761.25	-27.90%	-20.46%	1.63%
Russell 2000 Growth	1709.62	2/9/2021	483.32	12/31/2012	1090.12	-36.24%	-26.39%	0.88%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2085.08	-21.12%	-14.50%	2.39%
Russell 3000	2804.93	1/3/2022	846.37	12/31/2012	2217.15	-20.96%	-19.22%	1.73%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	6672.44	-15.93%	-14.29%	3.42%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	486.06	-30.49%	-20.09%	3.21%
Ibovespa/Brazil (USD)	30947.53	1/3/2013	9077.09	1/21/2016	20781.49	-32.85%	10.63%	8.76%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	970.60	-49.44%	-32.02%	11.23%
S&P BSE 500/India (USD)	337.94	1/13/2022	95.89	9/3/2013	297.53	-11.96%	-5.65%	1.32%
Shanghai Composite/China (USD)	832.07	6/12/2015	317.13	6/27/2013	447.81	-46.18%	-19.66%	2.77%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.77	-39.60%	-28.65%	1.97%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2535.53	-40.21%	-12.61%	3.37%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1340.48	-21.38%	-16.24%	3.55%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	376.06	12/31/2012	1005.48	-39.91%	-37.03%	1.04%
S&P 500 Consumer Staples	841.99	4/20/2022	360.78	12/31/2012	779.13	-7.47%	-0.62%	2.55%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	672.34	-8.78%	65.43%	3.78%
S&P 500 Utilities	394.81	9/12/2022	177.66	12/31/2012	358.48	-9.20%	1.56%	2.96%
S&P 500 Financials	688.85	1/12/2022	221.24	12/31/2012	569.74	-17.29%	-10.57%	2.09%
S&P 500 Banks	461.87	1/12/2022	158.18	12/31/2012	328.03	-28.98%	-19.21%	3.18%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	710.93	-27.46%	-24.92%	4.29%
S&P 500 Health Care	1664.59	4/8/2022	462.95	12/31/2012	1585.54	-4.75%	-1.95%	1.58%
S&P 500 Pharmaceuticals	1037.48	12/14/2022	373.19	12/31/2012	1011.63	-2.49%	8.45%	2.35%
NYSE Arca Biotechnology	6319.77	2/8/2021	1547.03	12/31/2012	5281.10	-16.44%	-3.99%	0.28%
S&P 500 Information Technology	3107.46	12/27/2021	460.42	4/19/2013	2172.17	-30.10%	-28.19%	1.12%
Philadelphia Semiconductor	4039.51	12/27/2021	384.06	12/31/2012	2532.11	-37.32%	-34.88%	1.59%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	159.37	-44.75%	-39.89%	1.20%
S&P 500 Industrials	905.63	1/4/2022	328.75	12/31/2012	831.40	-8.20%	-5.51%	1.71%
S&P 500 Materials	569.63	12/31/2021	234.68	4/15/2013	489.55	-14.06%	-12.28%	2.25%
Philadelphia Gold & Silver	168.47	1/2/2013	38.84	1/19/2016	120.86	-28.26%	-6.86%	2.20%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	277.75	-15.73%	19.53%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	179.47	8/19/2013	271.58	-15.05%	-14.21%	7.34%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	313.74	2/11/2016	463.35	-11.26%	-11.21%	8.99%

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