

## At-A-Glance

Apart from the S&P 500's impressive first quarter finish, the Nasdaq Composite delivered its strongest quarterly gain (+17.05%) since the second quarter of 2020. Tech stocks were standout performers for the month and quarter as investors rotated out of financials.

Internationally, the MSCI EAFE Index, representing developed equity markets outside the U.S. and Canada, returned nearly one full percentage point more than the S&P 500. Emerging markets trailed the S&P 500 by over 3.5%.

The yield on benchmark U.S. 10-year Treasury Notes, which notably drives mortgage rates, ended the quarter at 3.495%, down from 3.878% at the end of 2022, marking its largest quarterly yield decline since 2020.

The Bloomberg Commodity Index extended losses in both time periods, slipping 0.21% in March to cap a 5.36% first quarter pullback.

Gold briefly topped \$2,000 in March but ended the quarter at \$1,986/oz., up \$160 (+8.76%). U.S. WTI crude oil fell 5.72% in Q1, finishing at \$75.67/barrel.

# QUARTERLY RECAP

First Quarter 2023 Recap

| Market Indices <sup>1</sup>       | March  | 1Q 2023 | YTD   |
|-----------------------------------|--------|---------|-------|
| S&P 500                           | 3.67%  | 7.50%   | 7.50% |
| Russell 3000                      | 2.67%  | 7.18%   | 7.18% |
| Russell 2000                      | -4.78% | 2.74%   | 2.74% |
| MSCI EAFE                         | 2.48%  | 8.47%   | 8.47% |
| MSCI Emerging Markets             | 3.03%  | 3.96%   | 3.96% |
| Bloomberg US Aggregate Bond       | 2.54%  | 2.96%   | 2.96% |
| Bloomberg US Municipal Bond       | 2.22%  | 2.78%   | 2.78% |
| Bloomberg US Corporate High Yield | 1.07%  | 3.57%   | 3.57% |

<sup>1</sup>Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

The S&P 500 ended a volatile first quarter with a total return of 7.5%, rebounding from a 18.1% net loss in 2022. Quarterly gains were heavily front-loaded with the S&P 500 rallying nearly 6.3% in January for its best first month start to a year since 2019. The quarter was however confounded by further Fed rate hikes and a deep sector pullback in Financials fueled further by simultaneous mid-March failures of two U.S. regional banks and a near collapse of a Swiss banking giant. Even so, the government's swift and full guarantee of the deposits at the two U.S. banks as well as the Fed's creation of a special lending facility for other banks, together helped stem the crisis.

While the banking turmoil led to increased concerns for more stringent credit standards, it also drove a meaningful pullback in prevailing Treasury yields and borrowing rates. As bond prices advance as yields fall, a rally in bond markets ensued. This in turn boosted Wall Street expectations for Fed policymakers to pause rate hikes and eventually pivot back into easing mode sooner than previously believed.

In economic signposts, a robust labor market is helping keep a recession at bay, at least so far. Additionally favorable, inflation is continuing to moderate, though remains at an elevated level. The consumer price index (CPI) rose 6% from a year ago in February, the smallest annualized gain since September 2021. Moreover, the Fed's closely watched inflation gauge, the personal consumption expenditures (PCE) price index excluding volatile food and energy, increased 0.3% in February, down from a 0.5% January increase. On a 12-month basis, core PCE increased 4.6%, a slight deceleration from 4.7% in January.

As shown in the style box performance boxes below, large caps widely outperformed small and mid caps for both March and the first quarter. In a major leadership reversal from last year's fourth quarter, investors broadly stepped back into growth stocks at the expense of their value counterparts.

| March |        |        | First Quarter |       |        |       |        |
|-------|--------|--------|---------------|-------|--------|-------|--------|
|       | Value  | Core   | Growth        |       | Value  | Core  | Growth |
| Large | -0.46% | 3.16%  | 6.84%         | Large | 1.01%  | 7.46% | 14.37% |
| Mid   | -3.15% | -1.53% | 1.38%         | Mid   | 1.32%  | 4.06% | 9.14%  |
| Small | -7.17% | -4.78% | -2.47%        | Small | -0.66% | 2.74% | 6.07%  |

Morningstar Direct Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In the sector performance, six of the 11 major sector groups ended positive in March, with Technology and Communication Services having the strongest gains and Financials posting the deepest declines. Performance amongst these same sectors was closely echoed for the quarter.

| Top Sector Performers – March <sup>1</sup>  | Bottom Sector Performers – March <sup>1</sup>  |
|---|--|
| Technology (+10.93%)                        | Materials (-1.04%)                             |
| Communication Services (+10.38%)            | Real Estate (-1.40%)                           |
| Utilities (+4.92%)                          | Financials (-9.55%)                            |
| Top Performers – First Quarter <sup>1</sup> | Bottom Performers – First Quarter <sup>1</sup> |
| Technologies (+21.82%)                      | Healthcare (-4.31%)                            |
| Communication Services (+20.50%)            | Energy (-4.67%)                                |
| Consumer Discretionary (+16.13%)            | Financials (-5.56%)                            |

<sup>1</sup>Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

U.S. Treasuries, as measured by the Bloomberg U.S. Government Bond Index, gained 2.87% in March, which meaningfully extended their first quarter gain to 2.98%. Longer-term U.S. Governments were the top performers in both periods, advancing 4.73% in March and surging 6.16% during the quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) posted a first quarter gain of 2.96%, the vast majority won in March (+2.54%). Non-investment-grade high-yield corporate bonds trailed the Aggregate bond benchmark in March by almost 1.5% yet outperformed “Agg bonds” for the quarter by over 0.60%. Municipal Bonds also had solid performance, gaining 2.22% in March, broadly extending their first quarter gain to 2.78%

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

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### **Glossary**

**The Bloomberg U.S. Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs),

ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

**The Bloomberg U.S. Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years.

**The Bloomberg U.S. Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual re-weightings of the components).

The **Cboe Volatility Index**<sup>®</sup> (VIX<sup>®</sup>) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **Nasdaq Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.