

Market Overview

- Global equity markets advanced in October on strong 3rd quarter corporate earnings reports. U.S. equities outperformed other regions as more than 80% of S&P 500 companies beat earnings estimates, helping to provide a boost to investor sentiment. The S&P 500 Index gained 7.0% in October with growth stocks outpacing value. Across capitalizations, large cap stocks beat small caps by about 270 bps. Also providing a boost to sentiment were signs that inflation may be peaking as consumer price measurements eased slightly from the prior month.
- Non-U.S. developed market equities returned 2.5% with Italy and France performing best. Europe’s GDP growth rate came in slightly better than expected at 2.2% and corporate earnings were solid. U.K. stocks also advanced on solid corporate earnings. In Japan, equity markets lost ground on concerns about supply bottlenecks, particularly chip shortages and the upcoming election for prime minister. Emerging market stocks were up 1% in October. While China was up on the month, concerns linger with GDP slowing to 4.9% in the 3rd quarter amid continued energy supply disruptions, COVID outbreaks and property market woes. Energy producers such as Russia were higher in October while in Latin America, Brazil’s markets sold off significantly on concerns over excessive government spending, inflation and interest rate increases.
- Global interest rates increased in October as many central banks are expected to shift from a policy of accommodation to one which is focused on reigning in inflation. Against this backdrop, bond markets were lower while property markets continued to advance on economic reopening and the impact increases in replacement costs have on valuations. Across commodity markets, WTI crude oil was up 10.7% in October while gold gained 1.5%. Hedge funds were mostly higher with long/short equity and systematic/trend following macro strategies performing best while relative value strategies were laggards. The fund of funds index was up 1.6% in October.

Equity Markets

The S&P 500 Index gained 7.0%, more than offsetting last month's pull back. Across industry sectors, the best relative performers included consumer discretionary (10.9%) and energy (10.4%), on continued increases in petroleum prices, followed by Information Technology (8.2%). While all sectors posted gains, the underperformers included communication services (2.8%) and consumer staples (3.9%). Growth stocks outperformed value while small cap stocks put in decent performance, gaining 4.3%. International developed market stocks returned 2.5% with Europe and the U.K. performing best and Japan losing ground. Emerging market stocks lagged with Latin America posting losses driven by Brazil's equity market. The U.S. dollar was mixed, weakening against the Pound and most major and emerging market currencies but strengthening versus the Yen and Brazilian Real.

Fixed Income Markets

Global government bond markets lost ground on the month on an increase in interest rates. In the U.S., the yield curve flattened with the 2- and 5-year Treasury yields increasing by 22 bps while the 10-year increased by 7 bps and the 30-year long bond yield declined by 15 bps. The yield curve slope between the 2- and 10-year Treasuries ended the month at 105 bps with the 10-year Treasury yield ending October at 1.55%. Long dated yields were kept in check and even declined as investors rushed in to buy Treasury Inflation Protected Securities (TIPS), putting downward pressure on real yields and by extension nominal yields. The TIPS Index was up 1.13% in October. Longer dated Treasuries and investment grade corporate bonds performed well as the yield curve flattened while high yield was down fractionally. Leveraged loans gained on the month owing to demand for floating rate instruments.

Alternative Strategies

Hedge funds gained for the month with more directional long/short equity strategies performing best as equity markets rallied. Market neutral and relative value strategies lagged. Systematic, trend following strategies also performed well on increases in commodity and rate markets.

Developed Market Returns (%)

	Month	Year to Date
S&P 500	7.01	24.06
Russell 2000	4.25	17.19
MSCI EAFE (\$)	2.46	10.99
MSCI Europe (\$)	4.50	15.01
MSCI UK (\$)	4.01	16.67
MSCI Japan (\$)	(3.36)	2.34
MSCI Pacific ex Japan (\$)	3.23	8.15

Source: eVestment Alliance, MSCI, S&P, Russell

Emerging Market Returns (%)

	Month	Year to Date
MSCI EM (\$)	0.99	(0.26)
MSCI EM Asia (\$)	1.28	(2.67)
MSCI EM EMEA (\$)	2.63	24.07
MSCI EM Latin America (\$)	(5.33)	(10.60)

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

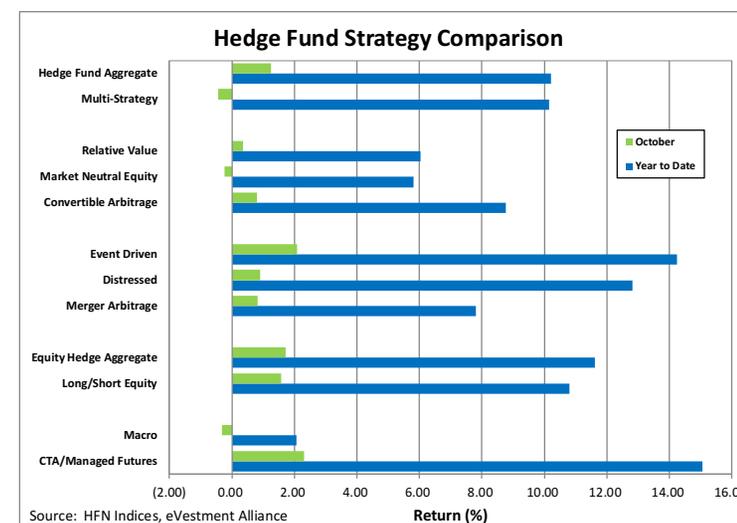
	Month	Year to Date
Bloomberg Barclays Aggregate	(0.03)	(1.58)
Bloomberg Barclays Government	(0.08)	(2.49)
Bloomberg Barclays U.S. TIPS	1.13	4.68
Bloomberg Barclays U.S. Inv. Grade Corp	0.25	(1.01)
Bloomberg Barclays U.S. Mort. Backed	(0.19)	(0.85)
Bloomberg Barclays U.S. High Yield	(0.17)	4.36
Credit Suisse Leveraged Loan	0.24	4.92

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

Non-U.S. Fixed Income Returns (%)

	Month	Year to Date
FTSE Non-U.S. WGBI Hedged	(0.32)	(2.62)
FTSE Non-U.S. WGBI Unhedged	(0.69)	(8.49)
JP Morgan EMBI Global	0.06	(1.47)

Source: eVestment Alliance, FTSE, JP Morgan





This document was created with the Win2PDF "print to PDF" printer available at <http://www.win2pdf.com>

This version of Win2PDF 10 is for evaluation and non-commercial use only.

This page will not be added after purchasing Win2PDF.

<http://www.win2pdf.com/purchase/>