

# Global Market Investment Returns

September 30, 2022

		<u>Sept 2022</u>	<u>YTD</u>	<u>1-Year</u>	<u>3-Years</u>	<u>5-Years</u>	<u>10-Years</u>
U.S. Large Cap Equities	S&P 500	-9.21%	-23.87%	-15.47%	8.16%	9.24%	11.70%
U.S. Small Cap Equities	Russell 2000	-9.58%	-25.10%	-23.50%	4.29%	3.55%	8.55%
Energy Infrastructure Equities	Alerian U.S. Midstream Energy	-8.98%	17.48%	18.18%	8.23%	5.62%	-
U.S. Real Estate Equities	Dow Jones U.S. Select REIT	-12.25%	-29.32%	-17.15%	-3.29%	1.95%	5.49%
Global Equities	MSCI All Country World Index	-9.57%	-25.63%	-20.66%	3.75%	4.44%	7.28%
International Developed Equities	MSCI EAFE	-9.35%	-27.09%	-25.13%	-1.83%	-0.84%	3.67%
Emerging Market Equities	MSCI Emerging Markets	-11.72%	-27.16%	-28.11%	-2.07%	-1.81%	1.05%
U.S. Taxable Fixed Income	Bloomberg U.S. Aggregate	-4.32%	-14.61%	-14.60%	-3.26%	-0.27%	0.89%
U.S. Tax-Exempt Fixed Income	Bloomberg Municipal Aggregate	-3.84%	-12.13%	-11.50%	-1.85%	0.59%	1.79%
High Yield Fixed Income	Bloomberg U.S. Corporate High Yield	-3.97%	-14.74%	-14.14%	-0.45%	1.57%	3.94%
Floating Rate Loans	S&P/LSTA Leveraged Loan	-2.27%	-3.23%	-2.49%	2.22%	2.98%	3.54%
International Fixed Income	Bloomberg Global Aggregate Ex-U.S.	-5.87%	-23.88%	-24.77%	-7.78%	-4.03%	-2.39%

## Economic News-

- September began well, but markets turned negative during the second trading week as data suggested inflation had not slowed as expected.
- As a result, the Fed raised interest rates by 0.75%, lifting the policy range to between 3.0-3.25%.
- Following the September meeting, Fed Vice Chair Lael Brainard underscored that it will take time for higher interest rates to take effect and reiterated the Federal Reserve is committed to avoiding pulling back prematurely; her guidance was to expect higher rates for a while.
- On the bright side, a recently released report on consumer sentiment showed U.S. expectations for future inflation came down in September.
- However, a long list of other concerns continued to hang over global markets, including escalating tensions between Europe and Russia, and a controversial plan to cut taxes by the U.K. government that sent bond markets spinning on fears it could make inflation even worse.

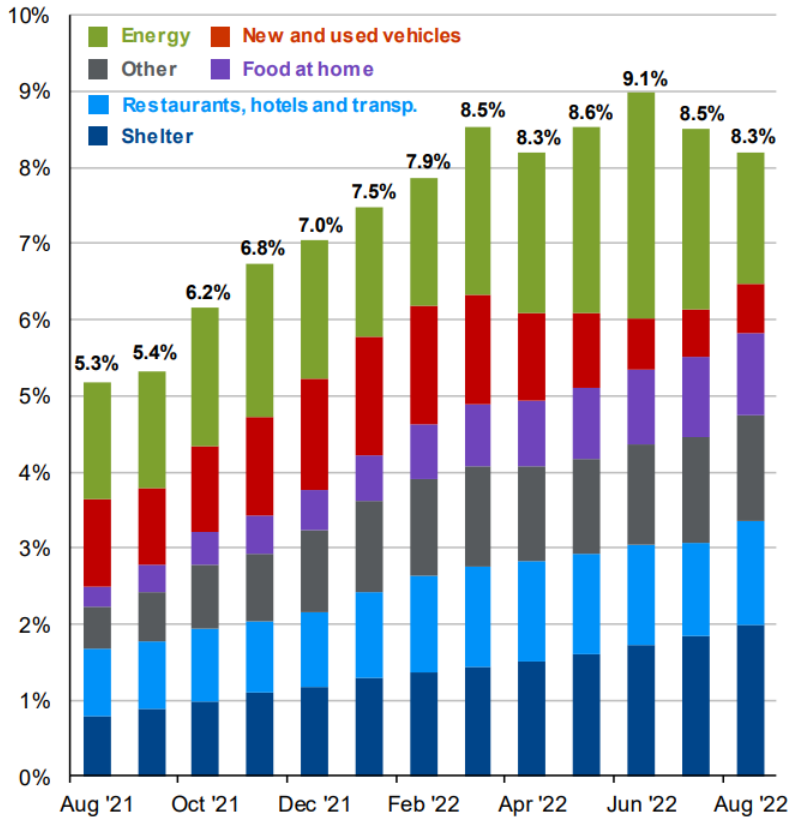
## Market Update-

- U.S. stock markets ended September down more than 9%, the worst monthly decline since the COVID-19 pandemic.
- REITs declined sharply due to rapidly rising mortgage rates; a 30-year mortgage now costs homebuyers nearly 7%.
- Emerging markets equities declined nearly 12% as the U.S. dollar strengthened to a 20-year high.
- Bond indexes fared better in September but the return spreads this year and over the past year remained unusually narrow.
- Leveraged Loans continued to offer some protection in September. Defaults remained well below the long-run average and yields increased.

- Headline CPI modestly declined in August amid lower energy prices, though it's up 8.3% from one year ago and up 0.1% month-over-month.
- Excluding food and energy, the Personal Consumption Expenditure (PCE) price index rose 0.6% month-over-month and 4.9% from one year ago, which was stronger than expected.
- As inflation continues to run well above the 2% long-run target, some economists have expressed that the Fed is over-tightening. However, Fed Vice Chair Lael Brainard cautioned against pulling back "prematurely," saying rates will remain higher "for some time."

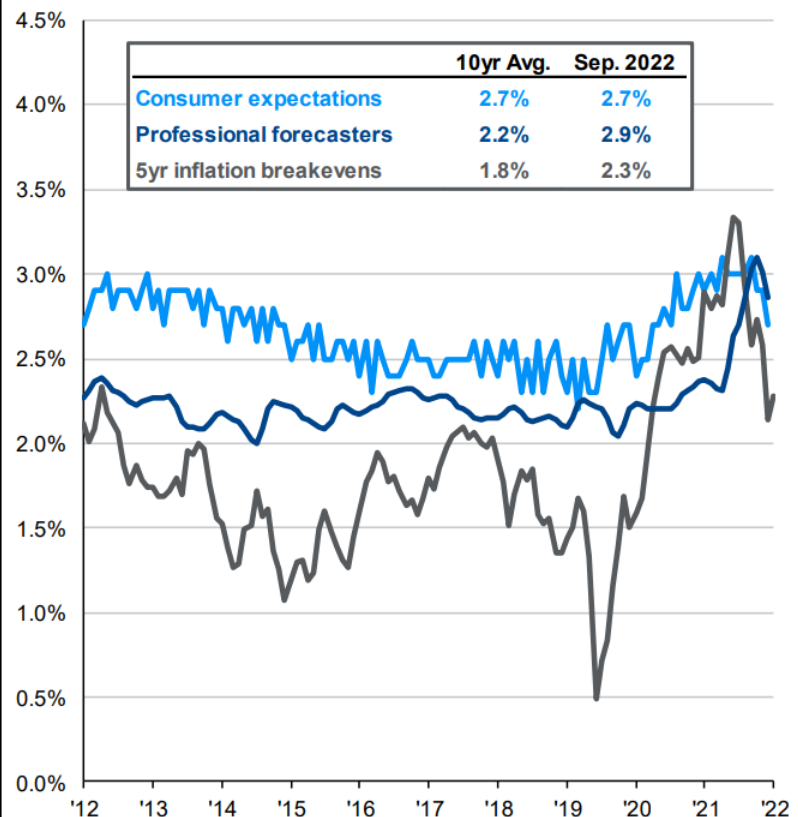
## Contributors to headline inflation

Contribution to y/y % change in CPI, not seasonally adjusted



## Inflation expectations, next 5 years

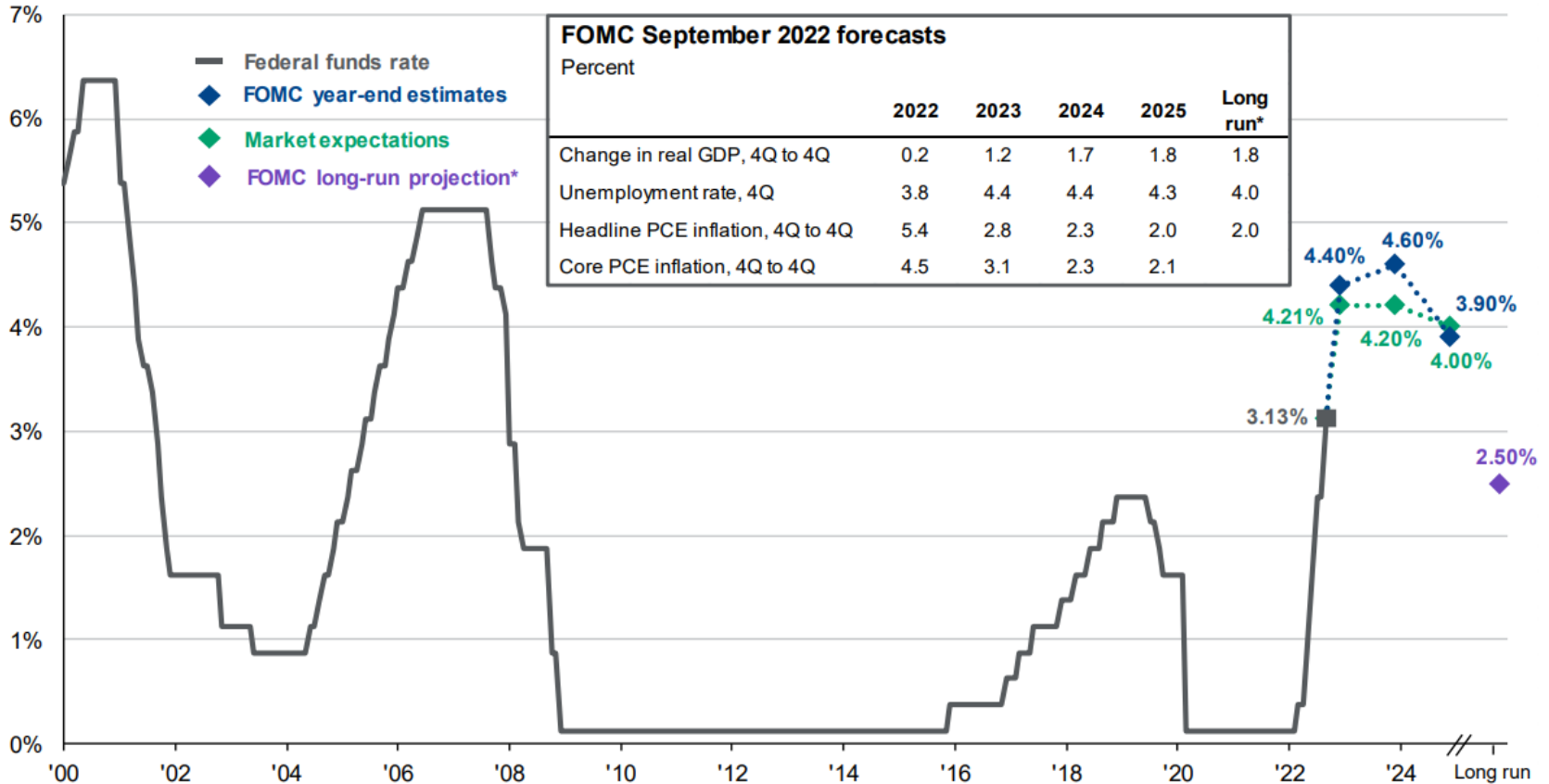
% change vs. prior year, non-seasonally adjusted



- The U.S. Federal Reserve has raised interest rates five times year-to-date, to a target range of 3.00-3.25%.
- The Fed's next opportunity to raise interest rates will be in November, when the FOMC convenes on the 1<sup>st</sup> and 2<sup>nd</sup>.
- The futures market expectation for Fed Funds rates has increased to 4.19% by the start of 2023.
- Longer-term market expectations for Fed Funds rates rose to 4.18% by the end of 2024.

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- The U.S. dollar strengthened 5.1% against the Canadian dollar in September, ending the month with an exchange rate of 1.3751.
- Canadian economic activity was a bit stronger than expected in July, with GDP increasing 0.1%, rather than the forecasted 0.1% drop.
- Despite the upward surprise, August GDP was most likely flat, and recent data shows momentum appears to be slowing.
- Amid multi-decade-high inflation, the Bank of Canada elected to raise rates by another 0.75% in September, to 3.25%.
- With new data pointing to reduced activity in the retail trade and accommodations and food services sectors, and amid a broad housing market slowdown, **money markets are betting on a smaller hike in October, with one more in December or January, to bring the central bank's policy rate up to 4.0%.**



Date Range	USD to CAD	+/-
YTD	1.2655-1.3751	+8.7%
1-Year	1.2673-1.3751	+8.5%
3-Years	1.3241-1.3751	+3.8%

**\$USD 1,000,000**  
 =  
**\$CAD 1,375,103**  
  
**@ 1.37510**  
**(9/30/2022)**

CAD Profile	
*Inflation Rate	7.0% (Aug 2022)
Interest Rate	3.25% (Sep 2022)
Information	<a href="http://www.bankofcanada.ca">http://www.bankofcanada.ca</a>

\*Total CPI Inflation  
 Sources: xe.com, Statistics Canada, Bloomberg, Royal Bank of Canada

## COPPER - as of 9/30/22

The price of copper was \$3.38 USD per pound.

Copper prices were down \$1.08 per pound year-to-date, or 24%, and down \$1.56, or 32%, since the March 2022 peak.

Looking ahead, guidance suggests copper will trade at \$3.37 per pound by the end of the fourth quarter, and at \$3.15 in 12 months.

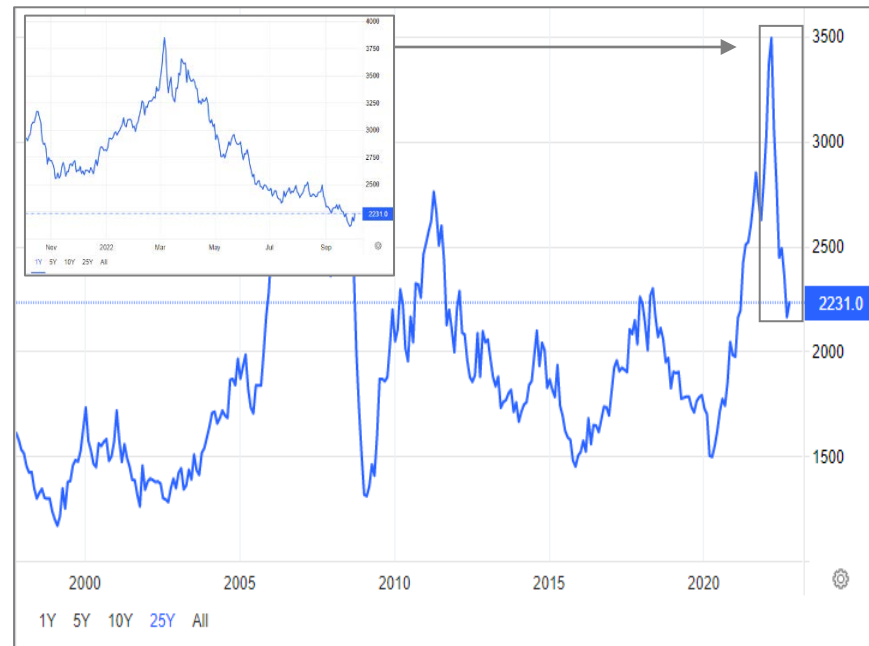
According to TradingEconomics, “aggressive monetary tightening around the world stoked fears of a global recession and dampened metals demand,” which is contributing to the lower price outlooks.

## ALUMINUM - as of 9/30/22

The price of aluminum was \$2,162 USD per tonne.

Aluminum prices were down \$645 per tonne year-to-date, or 23%, and down \$1,687, or 44%, from the record high price of \$3,849 per tonne in March of 2022.

Amid fears of a global economic recession and manufacturing slowdown, aluminum is forecasted to trade at \$2,100 USD/tonne by the end of the fourth quarter. The 12-month forecast shows aluminum trading at \$1,945.



- The price of a barrel of crude oil decreased \$9.71 in September, or 11%, to \$79.49.
- The average price of regular unleaded gasoline was nearly unchanged in September, falling \$0.04, to \$3.79 per gallon.

## Change in production and consumption of liquid fuels

Production, consumption and inventories, millions of barrels per day

Production	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	19.5	18.6	18.9	20.3	21.5	10.1%
OPEC	34.6	30.7	31.7	34.0	34.5	-0.2%
Russia	11.5	10.5	10.8	10.9	9.4	-18.2%
<b>Global</b>	<b>100.3</b>	<b>93.9</b>	<b>95.7</b>	<b>100.1</b>	<b>101.3</b>	<b>1.1%</b>

Consumption	2019	2020	2021	2022*	2023*	Growth since '19
U.S.	20.5	18.2	19.8	20.3	20.8	1.0%
China	14.0	14.4	15.3	15.4	16.1	14.9%
<b>Global</b>	<b>100.8</b>	<b>91.8</b>	<b>97.4</b>	<b>99.4</b>	<b>101.5</b>	<b>0.7%</b>

Inventory Change	2019	2020	2021	2022*	2023*
	-0.5	2.1	-1.7	0.7	-0.2

Oil prices were down close to double digits for the second consecutive month and have fallen \$44.21 per barrel, or 36%, since the March 2022 peak.

The declines have been attributable to more aggressive Central Bank monetary tightening, which has stoked fears of an accelerated global economic slowdown and weaker energy demand.

To stabilize prices, OPEC+ has recently announced it was considering cutting production of up to 1 million barrels per day, which has sent prices temporarily higher.

Futures data suggests crude oil is expected to trade at \$82.91/barrel by the end of the fourth quarter and at \$93.32/barrel in one year.

## Price of oil

WTI crude, nominal prices, USD/barrel

