

Market Flash Report

February 2023

Key Takeaways

- February was the worst month for broad market performance since September 2022. Inflation for January was higher than expected and markets are finally buying into the Fed's narrative that interest rates will and can be at increased levels for longer than was once thought. The 10-year treasury yield hopped 40 basis points to 3.92% and the 2-year increased 78 basis points to 4.82%. Fixed income markets sold off as treasury yields pushed higher.
- The S&P 500 was down -2.4% and the Nasdaq was down -1.0% for the month. Small caps broadly outperformed large cap equities and growth outperformed value. The tech sector was the only U.S. equity sector with positive performance during the month. Energy, REITs, and utilities were the laggards for February, all down more than -5%.
- International performance was mixed. Developed ex-U.S. large cap equities were down -2.1% as European equities were down just -0.6% and Japanese were down closer to -3.8%. While Emerging Market equities were down closer to -6.5% in February. Chinese equities sold off hardest, down almost -10.4% after being up over +52.0% the previous 3 months.
- During February's FOMC meeting, they agreed to lift the Fed Funds rate another 0.25% to an upper bound of 4.75%. With higher than expected inflation and expanding labor market, projections for the Fed Funds rate for the end of 2023 have risen significantly. Markets are currently pricing in 3 more 0.25% hikes to a terminal rate of 5.5%, up from 5.0% at the end of 2022.

		Index Performance (as of 2/28/2023)		
		February	Year-to-Date	One-Year
ARIZONA				
CALIFORNIA	Equity			
COLORADO	U.S. Large Cap	-2.4%	3.7%	-7.7%
FLORIDA	U.S. Small Cap	-1.7%	7.9%	-6.0%
GEORGIA	Developed Non-U.S.	-2.1%	5.9%	-2.6%
MARYLAND	Emerging Markets	-6.5%	0.9%	-14.9%
MASSACHUSETTS	Real Assets			
NEW JERSEY	Real Estate	-4.7%	3.3%	-14.8%
NEW YORK	Commodities	-4.7%	-5.2%	-4.7%
RHODE ISLAND	Natural Resource Equities	-7.3%	-2.7%	10.2%
TEXAS	Fixed Income			
BELLEVUE, WA	Core Plus			
SEATTLE, WA	U.S. High Yield Debt	-1.3%	2.5%	-5.5%
WYOMING	Emerging Market Debt	-2.4%	0.8%	-9.4%
	Core Bonds			
	U.S. Aggregate Bonds	-2.6%	0.4%	-9.7%
	U.S. Treasuries	-2.3%	0.1%	-10.1%
	U.S. Municipal Bonds	-1.8%	0.2%	-2.2%
		Current	Prior Month	One-Year Ago
	Month-End Values/Yield			
	CBOE Volatility Index	20.7	19.4	30.2
	10-Year Treasury Yield	3.9%	3.5%	1.8%

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