

Third Quarter 2022

Jenica Ghorashi



Markets across the board were down again over another volatile quarter. Both the broader market (Russell 3000) and the S&P 500 finished lower as concerns about rising inflation remained center stage.

Developed international markets (MSCI EAFE) were down as elevated inflation also plagued these markets, and investors priced in the resulting interest rate hikes abroad. Emerging Markets (MSCI EM) fell significantly, as the dollar strengthened again and the war between Russia and the Ukraine continued to impact the market. The broad fixed income market (Bloomberg US Aggregate Bond Index) also fell over the quarter on concerns about inflation and the Federal Reserve's efforts to raise interest rates significantly.

Index	3Q 2022
S&P 500 Index	-4.88%
Russell 3000 Index	-4.46%
MSCI EAFE Index ND	-9.36%
MSCI EM (Emerging Markets) Index ND	-11.57%
Bloomberg US Aggregate Bond Index	-4.75%

The unemployment rate fell 0.1% to 3.5%. Inflation eased slightly as the Consumer Price Index fell to 8.2% for the 12 months ending September 30, 2022, but remained elevated and came in higher than the consensus forecast. Real GDP fell 0.6% annualized in the second quarter after declining 1.6% in the first quarter.

	US Equity			Non-US Equity			US Fixed Income				
	Growth	Blend	Value	ACWI ex. US	EAFE	EM	High Yield	Agg	Gov't		
Large	-3.60	-4.61	-5.62	Large	-9.92	-9.09	-11.96	Short	0.38	-2.29	-0.57
Mid	-0.65	-3.44	-4.93	Mid	-9.85	-10.37	-9.59	Interm	-0.61	-3.84	-3.05
Small	0.24	-2.19	-4.61	Small	-8.37	-9.83	-5.25	Long	-1.72	-9.00	-9.60

Three month returns ending 9/30/22. US Equity indexes are Russell 1000, 1000 Value and 1000 Growth; MidCap, MidCap Value and MidCap Growth; and 2000, 2000 Value and 2000 Growth. Non-US Equity Indexes are MSCI All Country World Index (ACWI) ex. US Large, Mid and Small Caps; MSCI EAFE Large, Mid and Small Caps, and MSCI Emerging Markets (EM) Large, Mid and Small Caps. US Fixed Income indexes are Bloomberg US High Yield 1-5 Yr, Intermediate and Long duration; Bloomberg US Agg 1-5 Yr, Interm and 10+ Yr; and Bloomberg US Govt Short, Intermediate and Long Durations.

Outlook

High volatility continued over the quarter as investors reacted to news about rapidly climbing inflation and rising interest rates. Domestic stocks were lower as investors continued to digest the magnitude of these market risks. International equity also fell as it remained clear these risks posed a threat to economic growth. The US dollar continued to strengthen against most major currencies, creating headwinds for emerging markets. The ongoing war between Russia and the Ukraine continues to pose a threat to the global economy and has been a source of elevated inflation. A resolution to the conflict could stabilize food and energy supplies in the region. Looking forward, the market is expecting two more large increases in interest rates by the Federal Reserve before the end of the year, adding to worries that the economy could tip into a recession. Taken all together, a focus on long-term goals and objectives continues to be a prudent course, balancing downside risk at current valuations with the potential for upside performance.

To review historical reporting, visit milliman.com/en/periodicals/Market-Commentary

© 2022 Milliman, Inc. All Rights Reserved. The materials in this document represent the opinion of the authors and are not representative of the views of Milliman, Inc. Milliman does not certify the information, nor does it guarantee the accuracy and completeness of such information. Use of such information is voluntary and should not be relied upon unless an independent review of its accuracy and completeness has been performed. Materials may not be reproduced without the express consent of Milliman. milliman.com