

First Quarter 2022

Jenica Ghorashi



Markets pulled back over another volatile quarter and were down across the board. Both the broader market (Russell 3000) and the S&P 500 finished lower as concerns about rising inflation and geopolitical conflict affected stocks.

Developed international markets (MSCI EAFE) were down as investors reacted to a Russian invasion of the Ukraine during the quarter. Emerging Markets (MSCI EM) fell significantly, as the dollar generally strengthened and the war between Russia and the Ukraine greatly impacted the market. The broad fixed income market (Bloomberg US Aggregate Bond Index) also fell over the quarter amid inflation concerns and an indication that the Federal Reserve plans to aggressively raise interest rates after approving the first interest rate hike since 2018.

Index	1Q 2022
S&P 500 Index	-4.60%
Russell 3000 Index	-5.28%
MSCI EAFE Index ND	-5.91%
MSCI EM (Emerging Markets) Index ND	-6.97%
Bloomberg US Aggregate Bond Index	-5.93%

The unemployment rate declined to 3.6%. Inflation picked up as the Consumer Price Index rose by 8.5% for the 12 months ending March 31, 2022, the highest annual gain since 1981. Real GDP rose 6.9% annualized in the fourth quarter of 2021 after rising 2.3% in the third quarter.

	US Equity			Non-US Equity			US Fixed Income				
	Growth	Blend	Value	ACWI ex. US	EAFE	EM	High Yield	Agg	Gov't		
Large	-9.04	-5.13	-0.74	Large	-5.13	-5.19	-7.44	Short	-2.72	-3.52	-1.13
Mid	-12.58	-5.68	-1.82	Mid	-6.73	-8.55	-4.44	Interm	-4.42	-4.69	-4.19
Small	-12.63	-7.53	-2.40	Small	-6.52	-8.53	-4.33	Long	-10.64	-10.95	-10.57

Three month returns ending 3/31/22. 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 Capital (BB) High Yield 1-5 Yr, Intermediate and Long duration; BB US Agg 1-5 Yr, Interm and 10+ Yr; and BB US Govt Short, Intermediate and Long Durations.

Outlook

High volatility continued over the quarter as investors reacted to news about geopolitical conflicts, growing inflation pressures, and rising interest rates. Domestic stocks were lower as the market digested the magnitude of these market risks. International equity also fell as it became clear these risks could pose a threat to economic growth. The US dollar continued to strengthen against many major currencies, creating headwinds for emerging markets. Risks continue to exist around the uncertainty of the pandemic timeline, but these largely took a backseat over the quarter as investors focused on those associated with the Russian invasion of the Ukraine. 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