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# January 2023 Market Update

Markets started the year strong across all asset classes. U.S. stocks were up 6.9%, international stocks up 8.7%, bonds up 3.3%, and real estate increased 10.4%.

International stocks continued to shine, outperforming U.S. stocks by 14.3% over the past 3 months. International stocks benefitted from a weaker dollar.

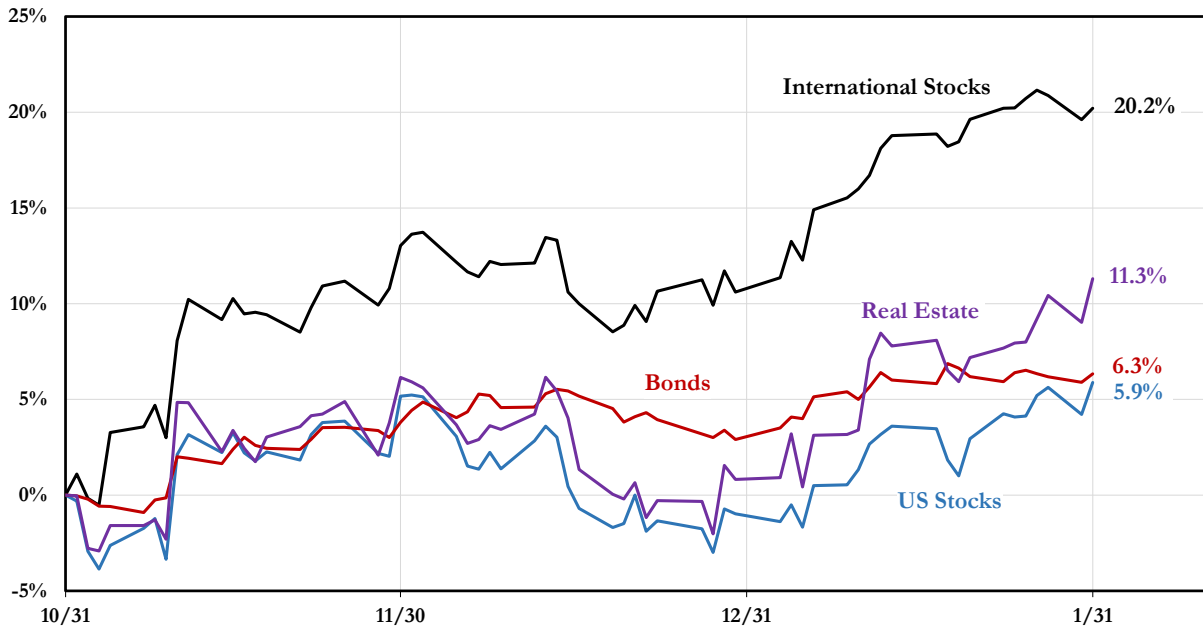
Growth stocks surged in January. The U.S. large cap growth index was up 10.4% while the value index was up only 2.8%. Value outperformed growth by 31.1% in 2022.

Short interest rates increased slightly while intermediate and long yields fell. Ten-year Treasuries fell from 3.88% to 3.52%.

Inflation is slowing in goods but the Fed wants to see lower inflation in services. The market is optimistic that inflation will slow and is even predicting lower short-term interest rates by the end of 2023. Part of the Fed's problem is that an optimistic market degrades their ability to keep inflation in check. The FOMC raised Fed Funds 0.25% to a range of 4.5% to 4.75% on February 1<sup>st</sup>. We see two more 0.25% increases and then a pause by the Fed while they wait to see how the economy unfolds.

Equities look fairly priced but we are concerned that bond yields are too low.

**Chart 1: Three Month Market Performance as of January 31, 2023**



# Benchmark Performance Summary

## *Asset Class Benchmark Returns*

| Asset Class               | 1 Mo         | 3 Mo         | 2022          | 5 Yr        |
|---------------------------|--------------|--------------|---------------|-------------|
| <b>Global Equities</b>    | <b>7.6%</b>  | <b>11.4%</b> | <b>-18.0%</b> | <b>5.7%</b> |
| <b>U.S. Equities</b>      | <b>6.9%</b>  | <b>5.9%</b>  | <b>-19.5%</b> | <b>9.0%</b> |
| U.S. Large Cap Equities   | 6.5%         | 5.6%         | -19.9%        | 9.3%        |
| U.S. Large Cap Growth     | 10.4%        | 5.8%         | -33.2%        | 10.3%       |
| U.S. Large Cap Value      | 2.8%         | 5.4%         | -2.1%         | 8.1%        |
| U.S. Small Cap Equities   | 10.2%        | 8.3%         | -17.5%        | 7.4%        |
| U.S. Small Cap Growth     | 11.7%        | 7.5%         | -28.4%        | 6.6%        |
| U.S. Small Cap Value      | 9.1%         | 8.6%         | -9.4%         | 7.2%        |
| <b>Ex-U.S. Equities</b>   | <b>8.7%</b>  | <b>20.2%</b> | <b>-16.1%</b> | <b>1.6%</b> |
| Developed Market Equities | 9.0%         | 20.0%        | -15.4%        | 2.4%        |
| Developed Market Growth   | 9.4%         | 20.5%        | -23.1%        | 3.2%        |
| Developed Market Value    | 8.2%         | 21.6%        | -5.2%         | 0.7%        |
| Emerging Market Equities  | 8.3%         | 21.1%        | -18.0%        | -0.3%       |
| <b>Fixed Income</b>       | <b>3.3%</b>  | <b>6.3%</b>  | <b>-13.0%</b> | <b>0.8%</b> |
| Ultrashort                | 0.3%         | 1.0%         | 1.5%          | 1.3%        |
| Short Term                | 0.7%         | 1.6%         | -3.9%         | 0.9%        |
| Inflation Protected       | 2.0%         | 2.6%         | -12.0%        | 2.6%        |
| U.S. Aggregate Bond       | 3.3%         | 6.3%         | -13.0%        | 0.8%        |
| <b>Real Estate</b>        | <b>10.4%</b> | <b>11.3%</b> | <b>-26.2%</b> | <b>6.6%</b> |
| <b>Cash</b>               | <b>0.3%</b>  | <b>1.0%</b>  | <b>1.5%</b>   | <b>1.3%</b> |

## *Portfolio Benchmarks*

| Portfolio                                    | 1 Mo        | 3 Mo         | 2022          | 5 Yr        |
|--|-------------|--------------|---------------|-------------|
| <b>Vanguard Total World Stock ETF</b>        | <b>7.6%</b> | <b>11.4%</b> | <b>-18.0%</b> | <b>5.7%</b> |
| <b>Vanguard Total U.S. Stock ETF</b>         | <b>6.9%</b> | <b>5.9%</b>  | <b>-19.5%</b> | <b>9.0%</b> |
| Vanguard Lifestrategy Growth Fund 80/20      | 6.6%        | 10.1%        | -17.1%        | 5.1%        |
| Vanguard Lifestrategy Mod Growth Fund 60/40  | 5.7%        | 8.8%         | -16.0%        | 4.1%        |
| Vanguard Lifestrategy Cons Growth Fund 40/60 | 4.8%        | 7.5%         | -15.0%        | 3.1%        |
| Vanguard Lifestrategy Income Fund 20/80      | 3.8%        | 6.2%         | -13.9%        | 1.9%        |
| <b>Vanguard Total U.S. Bond Market ETF</b>   | <b>3.3%</b> | <b>6.2%</b>  | <b>-13.1%</b> | <b>0.9%</b> |