



CAPSTONE  
FINANCIAL ADVISORS

## Quarterly Market Review



Q2 2022



# Quarterly Market Review

SECOND QUARTER 2022

- This report features world capital market performance and a timeline of events for the past quarter.
- It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

## OVERVIEW:

Market Review – Capstone Commentary

Market Returns Summary

World Stock Market Performance with Headlines

US Stocks

International Developed Stocks

Emerging Markets Stocks

Country Returns

Real Estate Investment Trusts (REITs)

Commodities

Fixed Income

Global Fixed Income

# Market Review

## CAPSTONE COMMENTARY



### STOCKS DECLINED MATERIALLY IN THE SECOND QUARTER, REFLECTING LOWER FUTURE CORPORATE PROFITS AND ECONOMIC GROWTH

- Global stock markets declined materially in the second quarter and broadly entered "bear market territory," falling more than 20% from recent highs.<sup>1</sup>
- Stocks started the year near all-time highs after several years of materially above-average returns amid low interest rates and recent above-2%-trend economic growth.
- However, since early January, stock prices have fallen due to a dramatic increase in interest rates on the heels of persistently high inflation.
- The decline in stock prices broadly reflects lower future corporate profit expectations amid rising costs and economic growth that is likely to decelerate back to trend.

### BOND PRICES CONTINUED DECLINING IN THE SECOND QUARTER AMID FURTHER RISING INTEREST RATE EXPECTATIONS

- Bonds broadly sustained another one of their worst quarterly declines in decades.
- Concerns that the Federal Reserve (the Fed), and other central banks abroad, will have to raise interest rates even more aggressively to clamp down on inflation drove the latest leg of the bond market selloff.
- U.S. bond market prices currently reflect that the Fed to raise their policy rate as high as 3%-to-3.5% by year-end, compared to early-January expectations of only 0.5%-to-1%.<sup>2</sup>
- From a historical perspective, this has been one of the sharpest swings in interest rate expectations that the bond market has ever experienced.

<sup>1</sup> Source: Morningstar Direct. Global stocks represented by the MSCI All-Country-World Investible Market Index NR USD, declined -20.44% year-to-date through 06/30/2022.







<sup>2</sup> Sources: Bloomberg, Eaton Vance.

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# Market Returns Summary (Q2)

## INDEX RETURNS

















	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2022	STOCKS				BONDS	
	-16.70%	-14.66%	-11.45%	-17.22%	-4.69%	-4.01%
						
Since Jan. 2001						
Average Quarterly Return	2.2%	1.4%	2.6%	2.3%	1.0%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved. Bloomberg data provided by Bloomberg.



# Market Returns Summary (Long-Term)

INDEX RETURNS AS OF JUNE 30, 2022

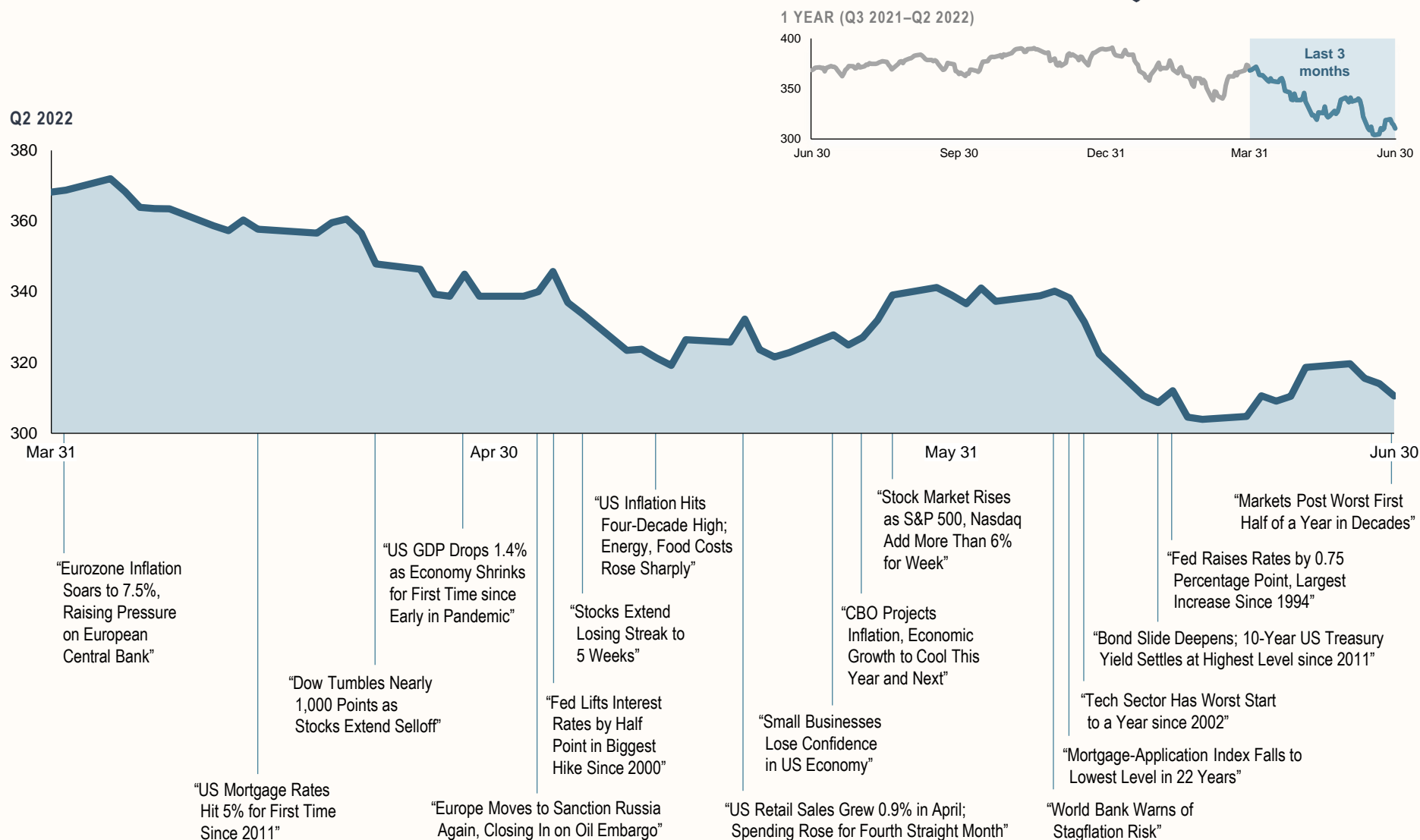
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	-13.87%	-16.76%	-25.28%	-10.61%	-10.29%	-7.75%
						
5 Years	10.60%	2.66%	2.18%	2.79%	0.88%	1.30%
						
10 Years	12.57%	5.37%	3.06%	5.15%	1.54%	2.66%
						

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# World Stock Market Performance

MSCI ALL COUNTRY WORLD INDEX WITH SELECTED HEADLINES FROM Q2 2022

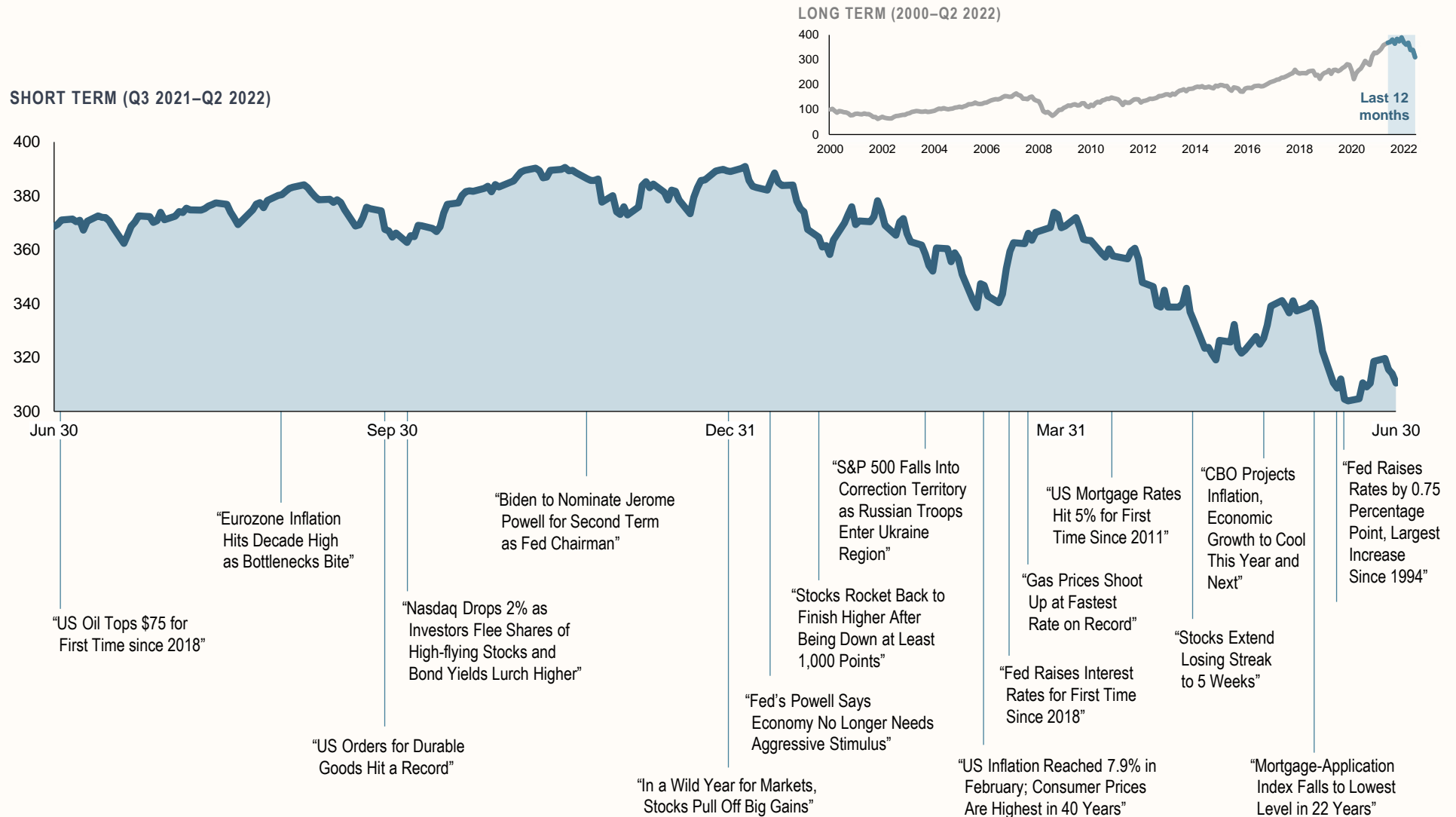


*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*



# World Stock Market Performance

MSCI ALL COUNTRY WORLD INDEX WITH SELECTED HEADLINES FROM PAST 12 MONTHS



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2022, all rights reserved.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

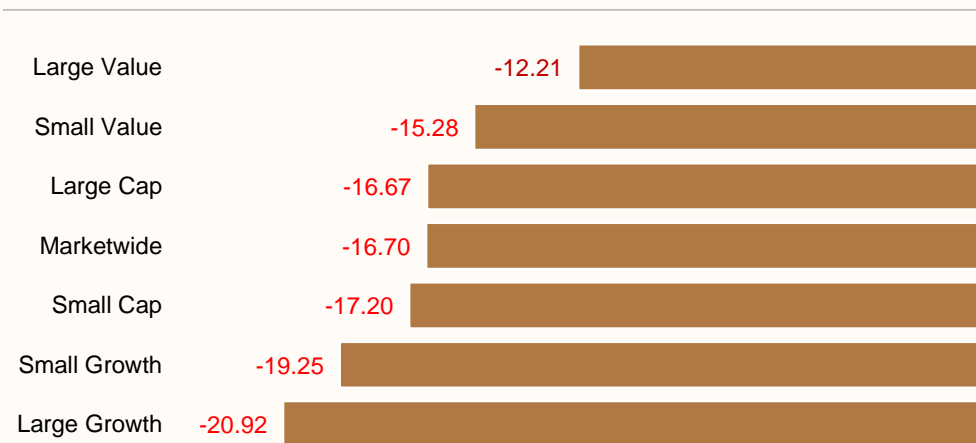


# US Stocks

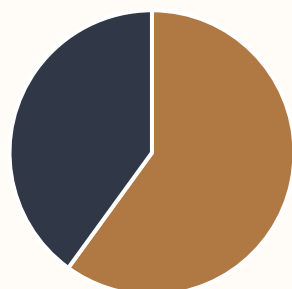
## SECOND QUARTER 2022 INDEX RETURNS

- The US stock market posted negative returns for the quarter and underperformed both non-US developed and emerging markets.
- Value stocks outperformed growth stocks.
- Small cap stocks underperformed large cap stocks.

### Q2 '22 RANKED RETURNS (%)



### WORLD MARKET CAPITALIZATION—US



60%

US Market  
\$37.6 trillion

### PERIOD RETURNS (%)

Asset Class	* Annualized					
	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Large Value	-12.21	-12.86	-6.82	6.87	7.17	10.50
Small Value	-15.28	-17.31	-16.28	6.18	4.89	9.05
Large Cap	-16.67	-20.94	-13.04	10.17	11.00	12.82
Marketwide	-16.70	-21.10	-13.87	9.77	10.60	12.57
Small Cap	-17.20	-23.43	-25.20	4.21	5.17	9.35
Small Growth	-19.25	-29.45	-33.43	1.40	4.80	9.30
Large Growth	-20.92	-28.07	-18.77	12.58	14.29	14.80

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# International Developed Stocks

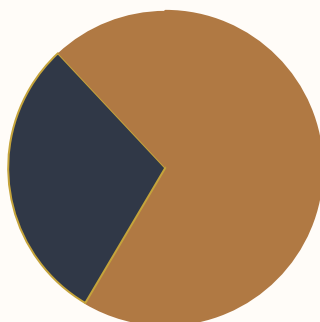
## SECOND QUARTER 2022 INDEX RETURNS

- Developed markets outside of the US posted negative returns for the quarter, outperforming the US and underperforming emerging markets.
- Value stocks outperformed growth stocks.
- Small cap stocks underperformed large cap stocks.

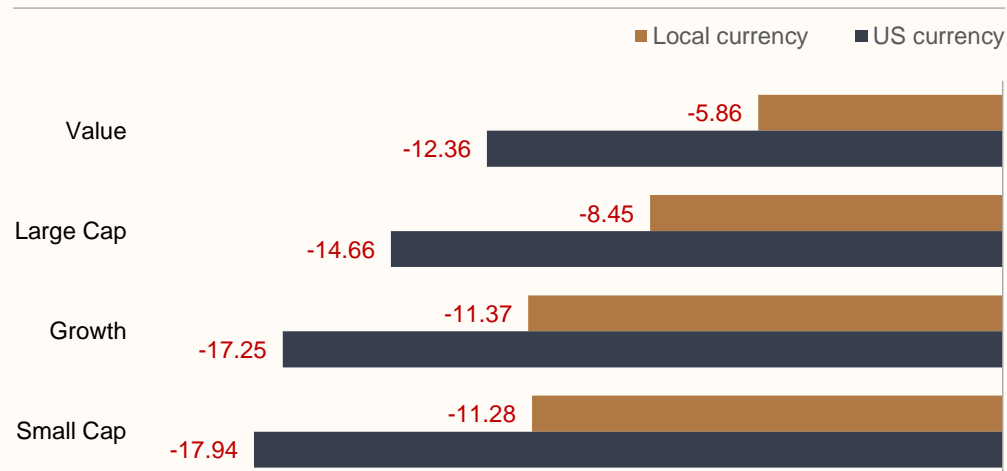
### WORLD MARKET CAPITALIZATION—INTERNATIONAL DEVELOPED

29%

International  
Developed Market  
\$18.1 trillion



### Q2 '22 RANKED RETURNS (%)



### PERIOD RETURNS (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	-12.36	-11.00	-10.28	1.13	1.26	4.42
Large Cap	-14.66	-18.76	-16.76	1.70	2.66	5.37
Growth	-17.25	-26.33	-23.37	1.55	3.61	6.04
Small Cap	-17.94	-23.87	-23.02	1.97	2.16	6.70

\* Annualized

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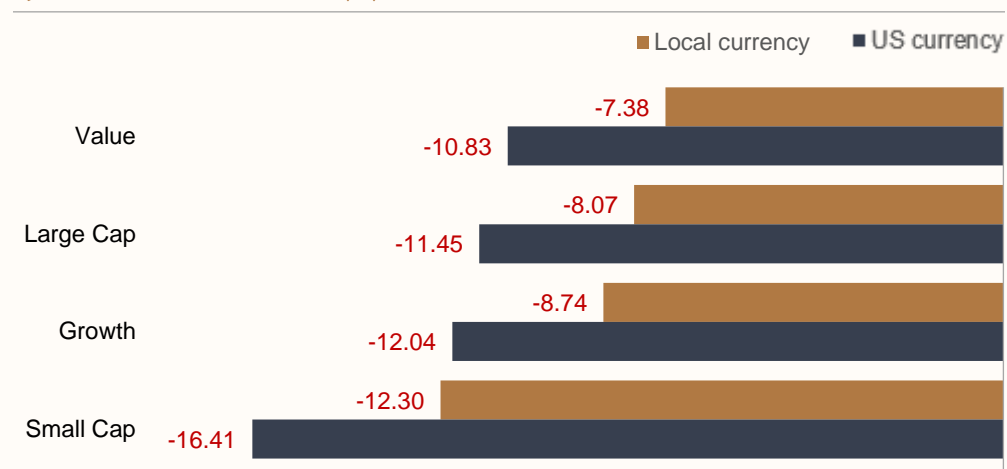


# Emerging Markets Stocks

## SECOND QUARTER 2022 INDEX RETURNS

- Emerging markets posted negative returns for the quarter, outperforming the US and non-US developed markets.
- Value stocks outperformed growth stocks.
- Small cap stocks underperformed large cap stocks.

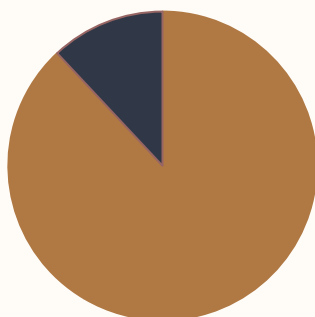
### Q2 '22 RANKED RETURNS (%)



### WORLD MARKET CAPITALIZATION—EMERGING MARKETS

12%

Emerging Markets  
\$7.4 trillion



### PERIOD RETURNS (%)

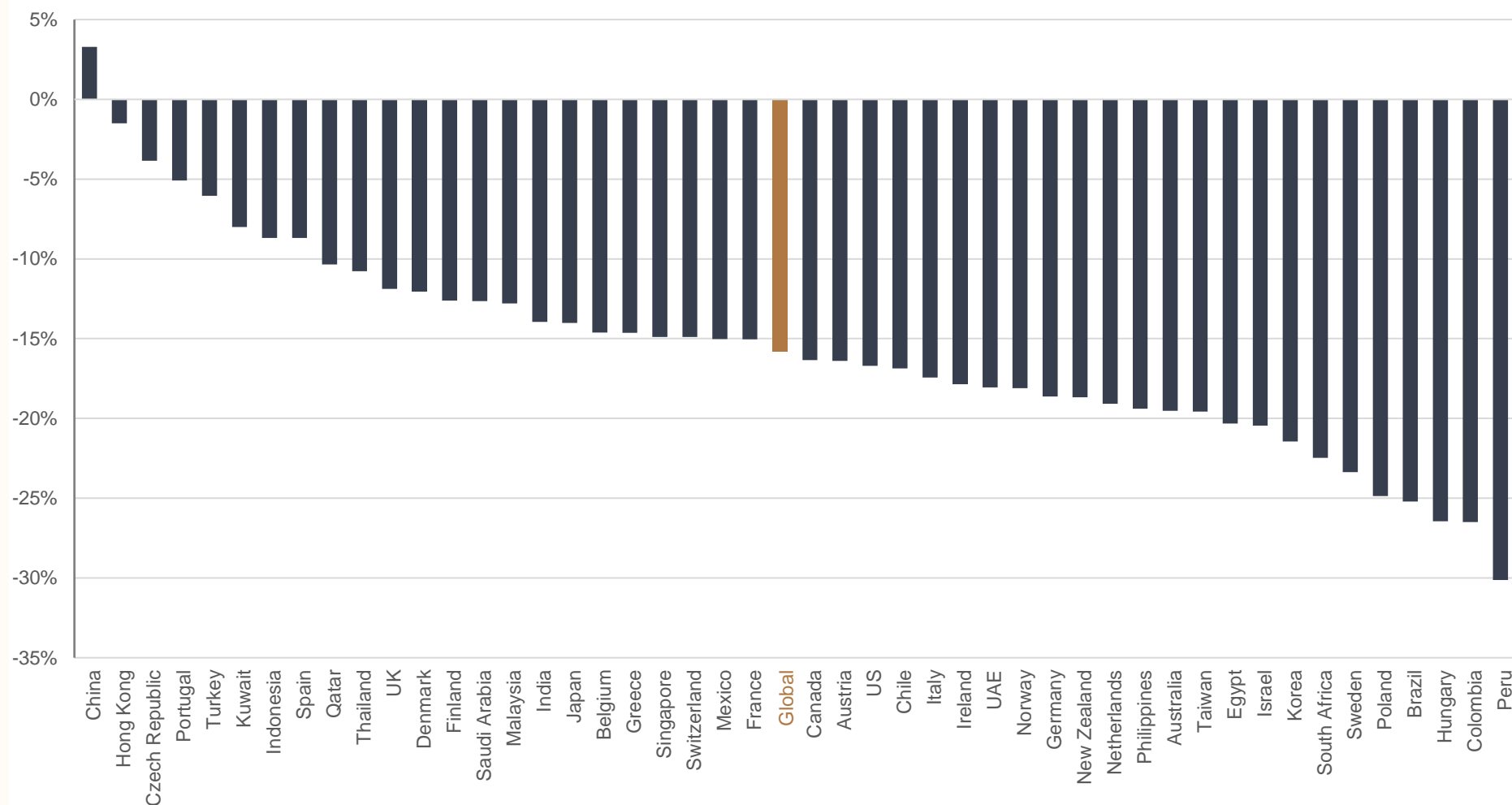
Asset Class	* Annualized					
	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	-10.83	-13.89	-18.59	-0.97	1.25	1.46
Large Cap	-11.45	-17.63	-25.28	0.57	2.18	3.06
Growth	-12.04	-21.07	-31.18	1.88	2.92	4.54
Small Cap	-16.41	-20.03	-20.72	5.78	3.48	4.31

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# Country Returns

## SECOND QUARTER 2022 INDEX RETURNS



Past performance is no guarantee of future results.

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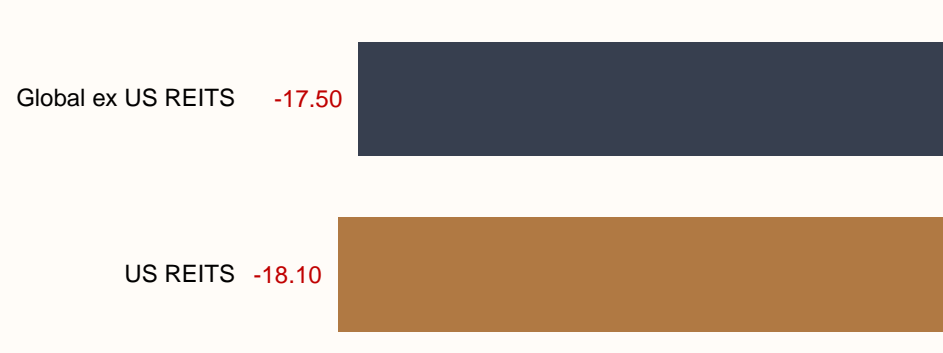


# Real Estate Investment Trusts (REITs)

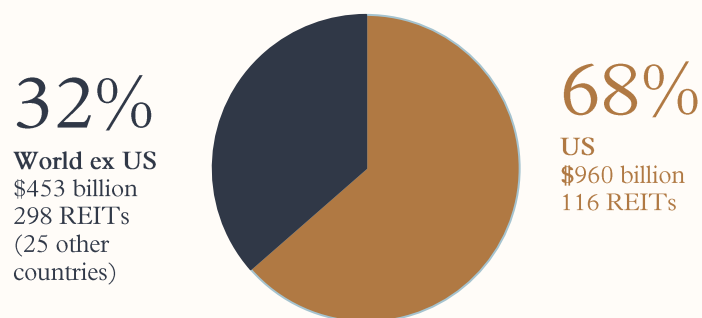
## SECOND QUARTER 2022 INDEX RETURNS

- REIT markets broadly underperformed stock markets.
- US REITs underperformed non-US REITs during the quarter.

### Q2 '22 RANKED RETURNS (%)



### TOTAL VALUE OF REIT STOCKS



### PERIOD RETURNS (%)

Asset Class	* Annualized					
	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITs	-17.50	-19.93	-17.73	-4.38	0.20	3.47
US REITs	-18.10	-21.14	-6.41	2.54	4.28	6.61

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.



# Commodities

## SECOND QUARTER 2022 INDEX RETURNS

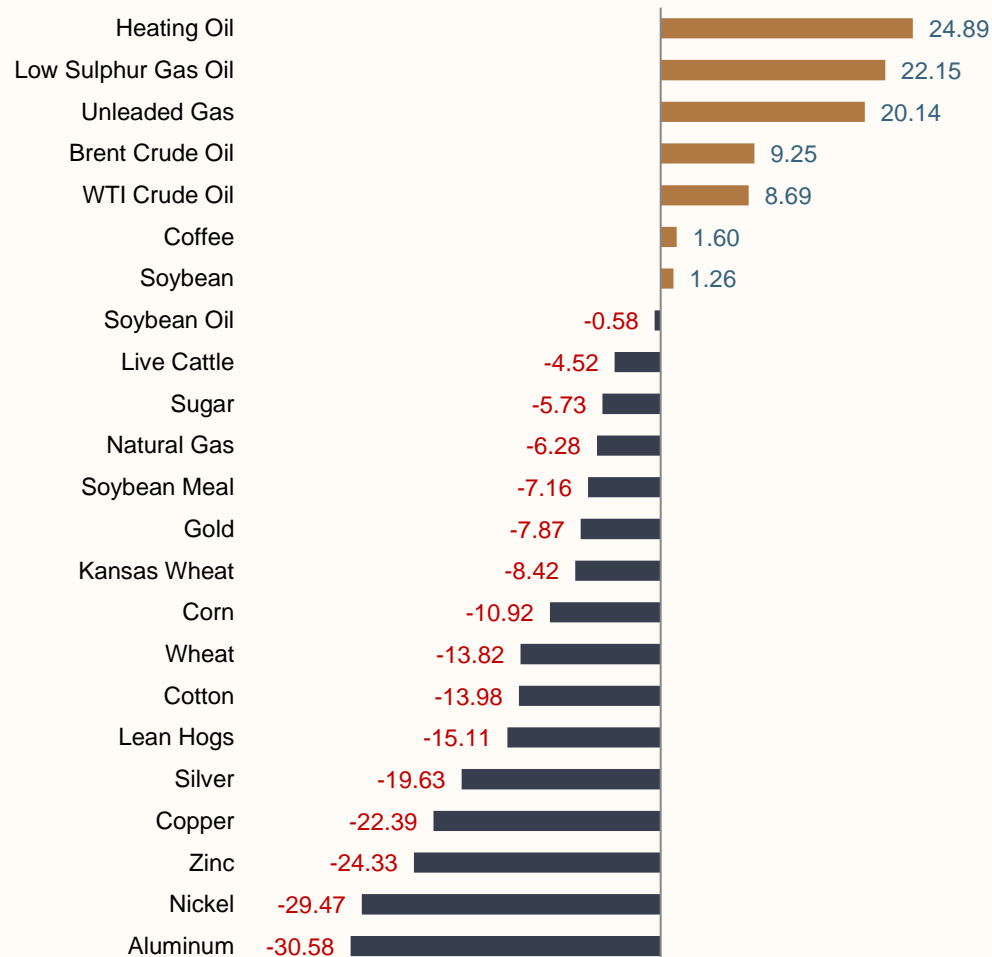
- Commodities broadly returned -5.66% for the second quarter of 2022.
- Aluminum and Nickel were the worst performers, returning -30.58% and -29.47% during the quarter, respectively.
- Heating Oil and Low Sulphur Gas Oil were the best performers, returning +24.89% and +22.15% during the quarter, respectively.

### PERIOD RETURNS (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-5.66	18.44	24.27	14.34	8.39	-0.82

\* Annualized

### RANKED RETURNS (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

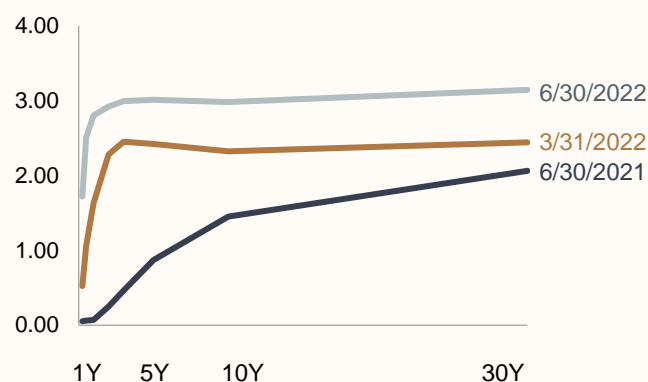


# Fixed Income

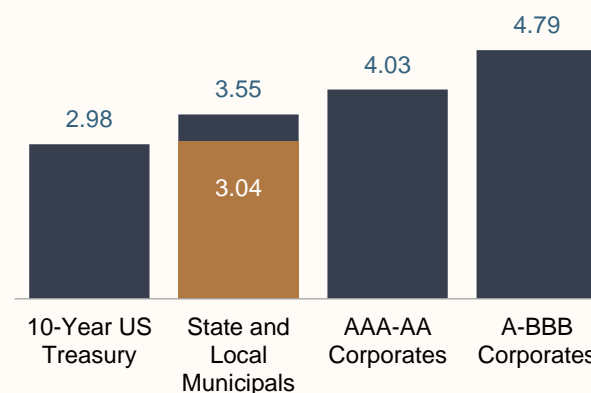
## SECOND QUARTER 2022 INDEX RETURNS

- Interest rates increased across all maturities in the US Treasury market for the quarter.
- The yield on the 5-Year US Treasury Note increased 59 basis points (bps) to 3.01%. The yield on the 10-Year US Treasury Note increased 66 bps to 2.98%. The yield on the 30-Year US Treasury Bond increased 70 bps to 3.14%.
- On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 111 bps to 1.28%, while the 1-Year US Treasury Bill yield increased 117 bps to 2.80%. The yield on the 2-Year US Treasury Note increased 64 bps to 2.92%.

US TREASURY YIELD CURVE (%)



BOND YIELD ACROSS ISSUERS (%)



PERIOD RETURNS (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
ICE BofA US 3-Month Treasury Bill Index	0.10	0.14	0.17	0.63	1.11	0.64
ICE BofA 1-Year US Treasury Note Index	-0.48	-1.27	-1.44	0.53	1.10	0.73
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.95	-3.30	-3.79	0.04	1.08	1.22
Bloomberg Municipal Bond Index	-2.94	-8.98	-8.57	-0.18	1.51	2.38
FTSE World Government Bond Index 1-5 Years	-4.28	-7.69	-9.90	-2.02	-0.57	-1.05
Bloomberg U.S. Aggregate Bond Index	-4.69	-10.35	-10.29	-0.93	0.88	1.54
Bloomberg U.S. TIPS Index	-6.08	-8.92	-5.14	3.04	3.21	1.73
Bloomberg U.S. High Yield Corporate Bond Index	-9.83	-14.19	-12.81	0.21	2.10	4.47
Bloomberg U.S. Government Bond Index Long	-11.89	-21.20	-18.42	-2.94	0.50	1.65

\*Annualized

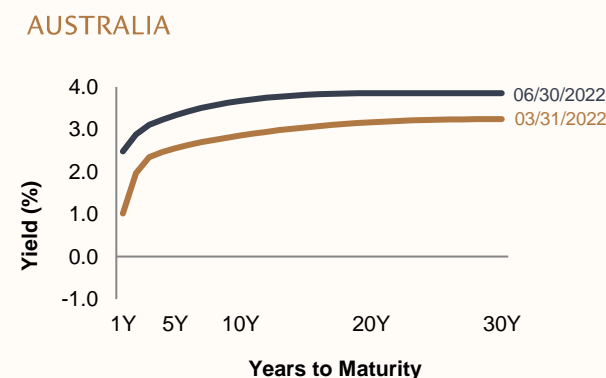
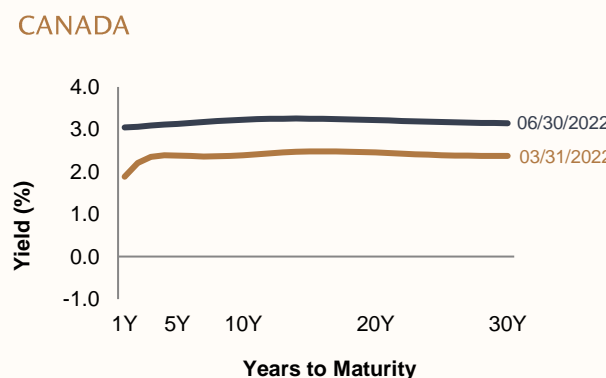
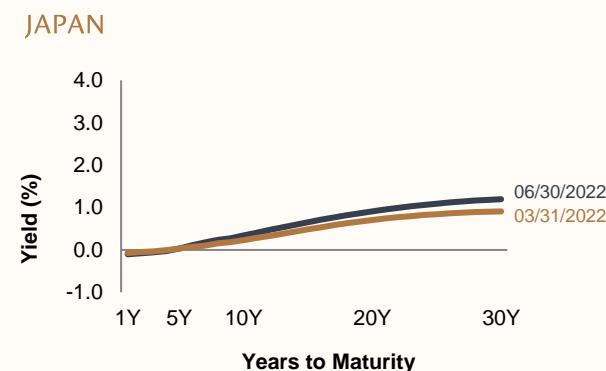
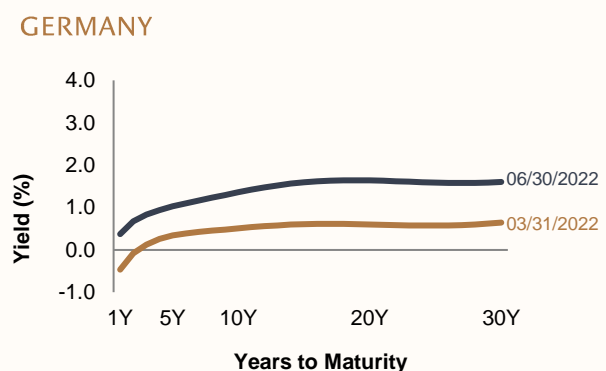
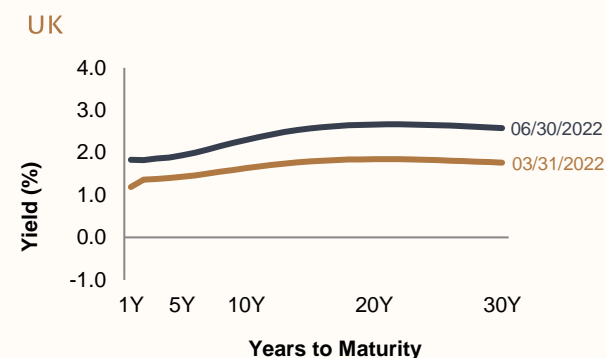
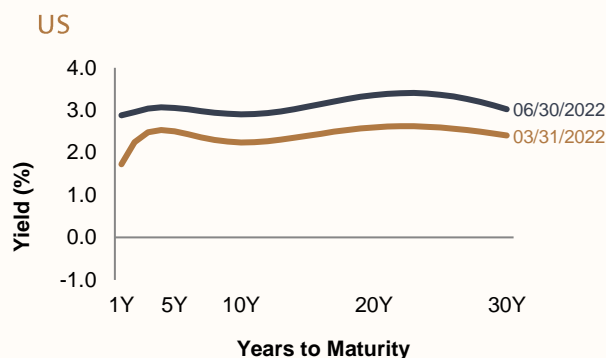
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# Global Fixed Income

## SECOND QUARTER 2022 YIELD CURVES

- Interest rates generally increased across maturities within global developed markets for the quarter.
- Realized term premiums were negative in global developed markets.
- In Germany, short-term nominal interest rates increased to become positive during the quarter. In Japan, short-term nominal interest rates remained negative.



### CHANGES IN YIELDS (BPS) SINCE 3/31/22

	1Y	5Y	10Y	20Y	30Y
US	115.5	55.1	66.3	76.0	62.3
UK	64.5	50.6	66.7	81.9	81.6
Germany	83.1	68.9	84.9	103.8	95.7
Japan	-3.0	0.2	11.0	20.4	28.2
Canada	116.2	74.7	83.5	76.4	77.0
Australia	146.4	78.0	81.7	68.5	61.2



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