

Third Quarter 2023

Jenica Ghorashi



Markets were generally down across the board, following a strong first half of the year. Both the broader market (Russell 3000) and the S&P 500 finished lower, pressured by a Fitch downgrade of the United States' credit rating from AAA to AA+ and concerns that the Federal Reserve will keep rates higher for longer.

Developed international markets (MSCI EAFE) were down as investors began to fear a synchronized global recession developing as a possible consequence of continued tightening. Emerging Markets (MSCI EM) fell, as the dollar strengthened and China showed disappointing data following their widely anticipated reopening. The broad fixed income market (Bloomberg US Aggregate Bond Index) was down too, as the Federal Reserve raised rates once during the quarter and is expected to once more later in the year.

Index	3Q 2023
S&P 500 Index	-3.27%
Russell 3000 Index	-3.25%
MSCI EAFE Index ND	-4.11%
MSCI EM (Emerging Markets) Index ND	-2.93%
Bloomberg US Aggregate Bond Index	-3.23%

The unemployment rate rose slightly to 3.8% over the quarter. The rate of inflation remained historically high as the Consumer Price Index rose 3.7% for the 12 months ending September 30, 2023. Real GDP increased 2.1% annualized in the second quarter after increasing 2.2% 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	-3.13	-3.15	-3.16	Large	-4.14	-4.47	-3.32	Short	1.18	0.13	1.13
Mid	-5.22	-4.68	-4.46	Mid	-2.22	-2.62	-1.20	Interm	0.51	-1.89	-0.78
Small	-7.32	-5.13	-2.96	Small	-1.70	-3.51	2.93	Long	-1.61	-8.66	-11.79

Three month returns ending 9/30/23. 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

Equity markets gave back some of the prior quarter's gains as investors grew more wary of several growing economic risks. Domestic stocks were lower as resumed inflation and slowing growth continued to be concerns. International equity also fell amidst energy crisis unease, high inflation, and slowing economic growth. The US dollar strengthened 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 as other geopolitical conflicts arise. The Federal Reserve followed through with another rate hike in July. They took a pause in September but signaled that another hike could come later in 2023. This gives market participants reason to be cautious, as this has been one of the quickest and sharpest tightening cycles in history. 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.

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