MILLIMAN MARKET RECAP

First Quarter 2023

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Markets were up across the board, following a year of historic losses. Both the broader market (Russell 3000) and the S&P 500 finished higher despite pressures following the collapse of multiple regional banks.

Developed international markets (MSCI EAFE) were up, boosted by resilient earnings and expectations of lower global inflation. Emerging Markets (MSCI EM) rose, as the dollar continued to weaken and investors were optimistic about revitalized demand from China's reopening. The broad fixed income market (Bloomberg US Aggregate Bond Index) was also up over the quarter as the Federal Reserve indicated a likely slowdown in the pace of interest rate increases.

Index	1Q 2023
S&P 500 Index	7.50%
Russell 3000 Index	7.18%
MSCI EAFE Index ND	8.47%
MSCI EM (Emerging Markets) Index ND	3.96%
Bloomberg US Aggregate Bond Index	2.96%

The unemployment rate remained at 3.5% for the third consecutive quarter. Inflation continued to ease as the Consumer Price Index fell to 5% for the 12 months ending March 31, 2023. Real GDP increased 2.6% annualized in the fourth quarter of 2022 after increasing 3.2% in the third quarter.

	US Equity		
	Growth	Blend	Value
Large	14.37	7.46	1.01
Mid	9.14	4.06	1.32
Small	6.07	2.74	-0.66

	Non-US Equity		
	ACWI ex. US	EAFE	EM
Large	6.98	8.68	4.16
Mid	6.41	7.62	3.03
Small	4.70	4.92	3.87

	US Fixed Income		
	High Yield	Agg	Gov't
Short	3.05	1.82	1.30
Interm	3.57	2.39	2.26
Long	3.67	5.60	6.16

Three month returns ending 3/31/23. 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

Markets extended the prior quarter's gains as investors began the year more optimistic about cooling inflation and positive economic data. Domestic stocks were higher following indicators that inflation pressures had finally peaked. International equity also rose as inflation cooled and a weaker dollar improved global economic sentiment. Global markets were also up, bolstered by European banks being viewed as mostly insulated from the US regional banking crisis. The US dollar fell against most major currencies, reversing many of its prior year gains and creating tailwinds for emerging markets. March brought stress to the banking sector following the collapse of Silicon Valley Bank and Signature Bank, giving many investors pause. 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. The Federal Reserve followed through with two more rate hikes in the first quarter. Many investors believe that the Fed will slow down the pace of its tightening campaign going forward, following continuously positive inflation numbers. 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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