

At-A-Glance

The S&P 500 posted its worst August performance in seven years, deepening its correction from its Jan 3 peak to -16.68%.

The Dow Jones Industrial Average fell 1,334 points in August (-3.72%), widening its year-to-date (YTD) loss to 12.01%.

Among the three main U.S. equity indices, the Nasdaq Composite fell the most in August, off 4.53%. The Nasdaq remains in a bear market down 24.07% YTD and is 25.95% below its Nov 19, 2021 record high.

U.S. WTI oil futures ended lower a third month, down 9.2% in August, for its longest losing streak in two years. Part of the decline is due to sales of around 130 million barrels from the U.S. Strategic Petroleum Research. The SPR is now at its lowest level since 1984.

MONTHLY RECAP

August 2022 Recap

Market Indices ¹	August	Year-to-Date
S&P 500	-4.08%	-16.14%
Russell 3000	-3.73%	-16.92%
Russell 2000	-2.05%	-17.16%
MSCI EAFE	-4.75%	-19.57%
MSCI Emerging Markets	0.42%	-17.49%
Bloomberg U.S. Aggregate Bond	-2.83%	-10.75%
Bloomberg U.S. Municipal Bond	-2.19%	-8.62%
Bloomberg U.S. Corporate High Yield	-2.30%	-11.22%

¹Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

U.S. equities and bonds ended a volatile August lower as investors came to grips with increased rate-hike expectations after global central banks vowed to step up their wars against inflation. In a classic tale of two halves, the S&P 500 had advanced over 4% through August 16 amid continued hopes that the Federal Reserve would signal an early dovish pivot away from aggressive rate hikes on indications of peaking inflation. However, the S&P 500 sold off over 8% during the second half of the month as the central bank resolved to stay hawkish, even at the expense of a potential growth slowdown.

All three major U.S. equity indices posted their worst returns since June and their largest August losses since 2015. Moreover, from stocks to bonds to commodities, virtually every asset class slid, having the largest unified cross-asset monthly drop since December 1981. Individual asset classes had larger historical losses such as the approximate 12.5% pandemic-related loss on the S&P 500 in March of 2020, so this 4% loss pales in comparison. Overall, the S&P 500 has given back around half of its summer relief-rally that began in mid-June.

Corporate earnings continued to roll in better than feared with strong profit margins suggesting higher prices charged by businesses are outpacing their increased costs of production and labor. Aggregate after-tax profit margins for non-financial corporations improved in the 2Q to 15.5%, the most since 1950, from 14% in the first quarter.

In August, all equity styles of companies posted negative returns for the month and year-to-date. Growth-oriented companies did post deeper August losses in Large and Mid Caps, while the reverse was true in Small Caps with larger losses in Value. Value continues to outperform on a YTD basis. Growth is negatively correlated to rising interest rates, as future expected profits decline in present value calculations.

	August			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	-2.98%	-3.84%	-4.66%	-9.85%	-16.90%	-23.19%
Mid	-3.06%	-3.14%	-3.28%	-11.80%	-16.53%	-25.09%
Small	-3.16%	-2.05%	-0.94%	-12.17%	-17.16%	-22.29%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In sector performance, of the 11 major groups only two of the three defensive-oriented sectors posted August gains, led by the continued dominance of Energy. Energy and Utilities extended YTD gains, while Consumer Staples deepened their 2022 losses. Technology was the largest detractor to August performance, while Consumer Discretionary and Communication Services are down the most so far this year.

Top Performers – August	Top Performers – YTD ¹
Energy (+2.83%)	Energy (+48.75%)
Utilities (+0.51%)	Utilities (+5.45%)
Consumer Staples (-1.75%)	Consumer Staples (-4.18%)
Bottom Performers – August	Bottom Performers – YTD ¹
Real Estate (-5.61%)	Technology (-22.09%)
Healthcare (-5.78%)	Consumer Discretionary (-23.75%)
Technology (-6.12%)	Communication Services (-30.61%)

¹ Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets were mixed in August, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) having a 0.67% greater loss relative to the S&P 500. Japan had among the smallest losses in developed markets, down 2.55%, while the United Kingdom (-6.37%) and the European region (-6.23%) declined the most. Emerging markets outperformed (+0.42%), climbing fractionally, with a strong August in Brazil (+6.40%) and India (+4.11%). Gains were mostly offset by declines in Mexico (-5.00%) and South Korea (-3.32%). China rose 0.22%.

Turning to fixed income markets, Treasuries ended August with the yield on 10-year Treasury notes at 3.13% while the two-year Treasury yield finished at 3.49%, its highest since 2007. On a broader basis, investment-grade bonds fell by 2.83%. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, fell 2.30% last month. Municipal bonds outperformed the U.S. Aggregate Bond benchmark index, falling a lesser 2.19%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](https://twitter.com/CeteraIM) on Twitter.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

“Cetera Financial Group” refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS

(agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index**[®] (VIX[®]) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.