Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for December 2022

		Month	QTR TD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	-5.8%	7.6	-18.1	-18.1	7.6	9.4
	Russell 2000	-6.5%	6.2	-20.4	-20.4	3.1	4.1
Domestic Bonds	Bloomberg Aggregate	-0.5%	1.9	-13.0	-13.0	-2.7	0.0
	Bloomberg High Yield	-0.6%	4.2	-11.2	-11.2	0.0	2.3
Non-US Stocks	MSCI EAFE	0.1%	17.3	-14.5	-14.5	0.9	1.5
	MSCI Emerg Mkts	-1.4%	9.7	-20.1	-20.1	-2.7	-1.4
Global Bonds	Bloomberg Global Agg	0.5%	4.5	-16.2	-16.2	-4.5	-1.6

Equities sold off in December amid recessionary fears fueled by the Federal Reserve's tighter monetary policy. In the U.S., the S&P 500 Index fell 5.8%, bringing losses for 2022 to 18.1%, the worst calendar year return since the Global Financial Crisis in 2008. Value stocks outperformed with the Russell 1000 Value Index down 4%, finishing the year in the red at 7.5%, while the Russell 1000 Growth Index declined 7.7% ending the year 29.1% lower. Non-U.S. developed markets were up 0.1%, outperforming all other regions.

In fixed income, developed market bond yields continued to face upward pressure amid the hawkish stance from central banks. In the U.S., the yield curve experienced a bear flattener with the 10- and 30-year yields rising 18 and 15 basis points, respectively. The 10-year German Bund yield also increased 58 basis points to 2.53% amid inflation pressures in the Eurozone.

Meanwhile, in real assets, commodities saw another volatile month, rocked by weakening global demand and supply constraints. Spot WTI Crude Oil fell 0.4% in December to $80 per barrel.

NEPC's stance towards risk assets remains unfavorable given the uncertain dynamics around growth and inflation. We recommend building exposure to short-term investment-grade credit as higher yields offer an attractive defensive position. We also suggest adding exposure to value stocks in U.S. large-cap equity to mitigate the portfolio impact of rising interest rates and inflation normalizing above market expectations. In addition, we still encourage a dedicated allocation to assets that support liquidity needs in periods of stress.

Commentary courtesy of New England Pension Consultants (NEPC). UUCEF has a consultancy agreement with NEPC to assist in the oversight of investment managers and provide other advisory services to the UUCEF Investment Committee. NEPC® is an independent, full service investment consulting firm, providing asset allocation, manager search, performance evaluation and investment policy services to middle and upper market institutional investment programs.]