Unitarian Universalist Common Endowment Fund

Monthly Market Commentary for June 2023

		Month	QTR TD	Calendar YTD	One Year	Three Years	Five Years
Domestic Stocks	S&P 500	6.6%	8.7	16.9	19.6	14.6	12.3
	Russell 2000	8.1%	5.2	8.1	12.3	10.8	4.2
Domestic Bonds	Bloomberg Aggregate	-0.4%	-0.8	2.1	-0.9	-4.0	0.8
	Bloomberg High Yield	1.7%	1.7	5.4	9.1	3.1	3.4
Non-US Stocks	MSCI EAFE	4.6%	3.0	11.7	18.8	8.9	4.4
	MSCI Emerging Mkts	3.8%	0.9	4.9	1.7	2.3	0.9
Global Bonds	Bloomberg Global Agg	0.0%	-1.5	1.4	-1.3	-5.0	-1.1

With the Federal Reserve opting to skip an interest rate hike and the slew of robust economic data, the U.S. economy continued to flex its muscles in June. Despite the Fed's decision to forgo a rate hike in June while ascertaining the health of the labor market and economy, Fed chair Jerome Powell reiterated the central bank's job isn't done until inflation comes down to its stated target of 2%, ratcheting up the likelihood of more rate hikes in the future.

In fixed income, returns were mostly in the red driven by the upward pressure on interest rates. In particular, U.S. Treasury yields moved higher with 10-year yields increasing 18 basis points. Credit markets were higher though mainly due to the high carry over Treasuries. High-yield bonds returned 1.7% in June with spreads tightening to 390 basis points from 455 basis points.

Meanwhile, U.S. markets outperformed on a relative basis with the S&P 500 Index gaining 6.6%, while the MSCI EAFE Index was up 4.6% in June. During this period, emerging markets also trailed the U.S. with the MSCI EM Index returning 3.8%. Growth stocks modestly outperformed value equities in June with the Russell 1000 Growth Index gaining 6.8% and the Russel 1000 Value Index up 6.6%.

Elsewhere, energy markets ended last month higher with WTI Crude Oil spot prices 3.7% higher. Overall, the Bloomberg Commodity Index increased 4% in June.

Keeping in mind the dynamics of U.S. equities, we suggest investors reduce S&P 500 exposure, while maintaining U.S. large-cap value positions. We also recommend investors increase exposure to U.S. high-yield bonds and broadly evaluate the risk-return benefit of fixed income. Lastly, we suggest holding greater levels of cash within safe-haven fixed-income exposures and encourage investors to maintain greater levels of portfolio liquidity.

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.]