

Global Markets Snapshot

JANUARY 2023



Markets starting the new year on the right foot

After a dour December, global equities saw a positive January. The major European stock indexes were up on the month, with the CAC 40, FTSE 100, and DAX up 7.4%, 2.9%, and 7.5%, respectively. The Chinese Shanghai Composite and Hang Seng likewise closed the month up 4.5% and 8.4%, while the Korean KOSPI and Japanese Nikkei 225 rose 8.4% and 4.8%, respectively. Fixed income also had a green month. The Morningstar US Core and High-Yield Bond indexes returned 2.7% and 2.9% respectively, and the Morningstar Global Core Bond index also returned 2.9%. Commodities had a much more mixed month in contrast. European natural gas prices declined precipitously in January as worries of a cold winter abated and draws remained low, leading to storage remaining well above historic average one- and five-year levels for January. US Henry Hub gas spot prices returned to near pre-2022 levels, and the East Asian Japan/Korea Marker benchmark fell back to levels similar to January 2022. With a busy upcoming first week of February for global central banks, it remains to be seen if ground gained by the public markets will continue to expand into February and beyond.

First on the central bank calendar is the US Federal Open Markets Committee (FOMC), which raised its target rate 25 basis points (bps) after its January meeting ended. January has offered several new prints on macroeconomic indicators supporting the success of the committee's efforts to return inflation to its 2% goal. The advance print for Q4 real GDP showed an increase at an annual rate of 2.9%, returning to healthy pre-2020 levels. Both the Producer Price Index (PPI) and Consumer Price Index (CPI) were down in their most recent December month-over-month prints on a headline basis but slightly higher on a core basis. These price index data releases vindicate the thesis offered by FOMC participants such as Vice Chair Lael Brainard and Governor

Christopher Waller at speeches in January that the constrictive policy environment will likely endure through 2023.

Futures markets had priced in a 25bps hike from the FOMC, and US equities were bought up in the wake of the rate decision. The Bank of England (BoE) and European Central Bank (ECB) both have rate decision meetings on February 1. These economic zones are both projected to have 50bps rate hikes after their central bank meetings; at the same time, both banks have observed signs of progress made against inflation. The annualized rate of change for the Harmonized Index of Consumer Prices (HICP)—the measure of inflation favored by the ECB—continued its path downward in December from its peak in October, and UK CPIH—CPI including housing—has tracked downward despite the impact of climbing food and housing goods and services. One thing is certain: While progress has been made in the global fight against inflation, the battle will persist long into 2023.

Institutional Research Group

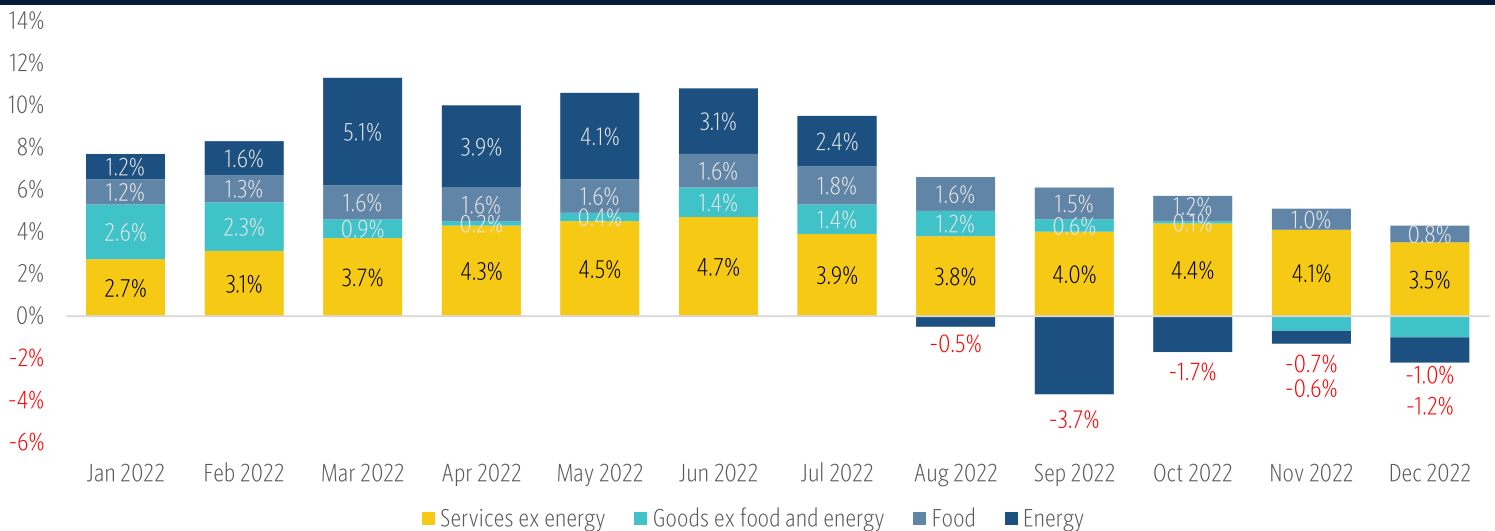
Analysis

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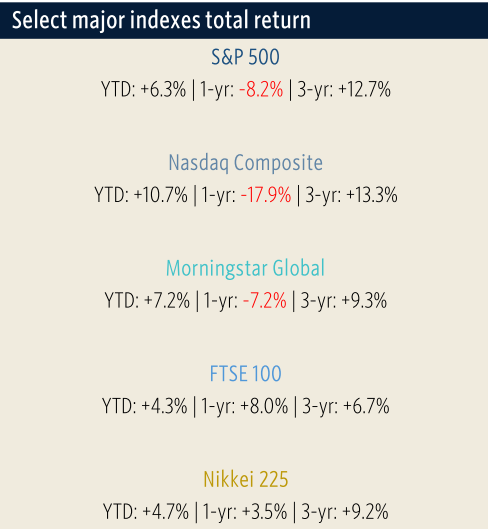
Contribution to three-month annualized inflation rate (US CPI)



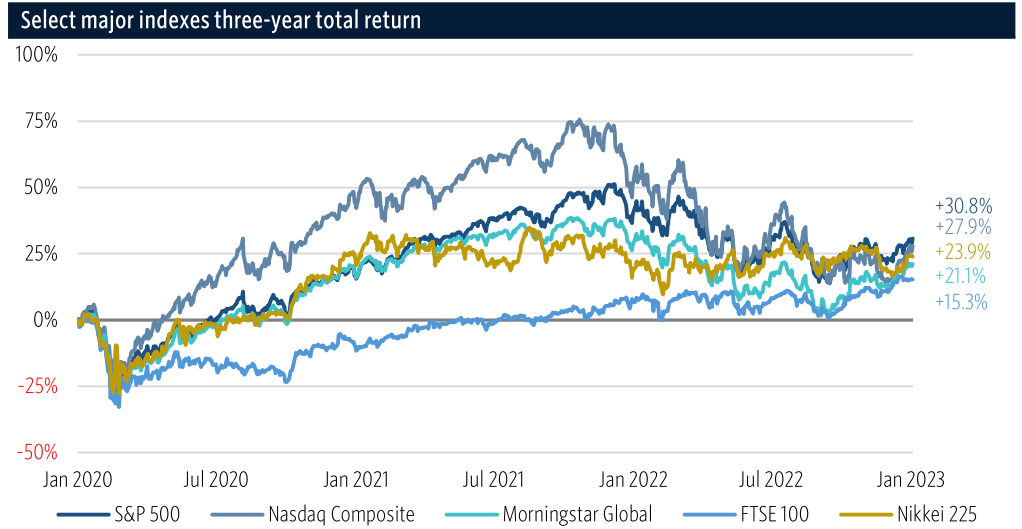
Note: All data in this report is as of January 31, 2023, unless noted otherwise.

Source: BLS

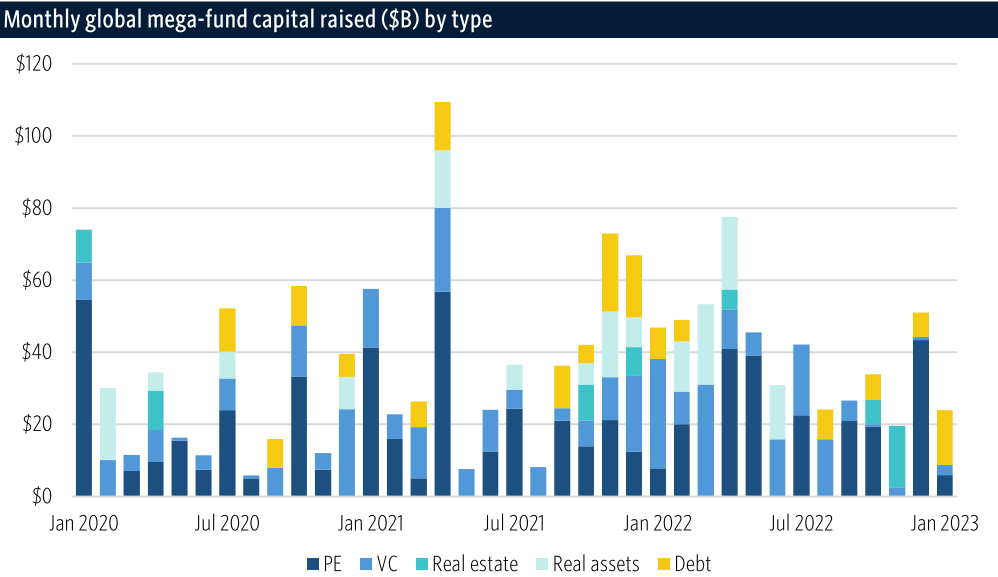
Overview



Note: Three-year returns are annualized.

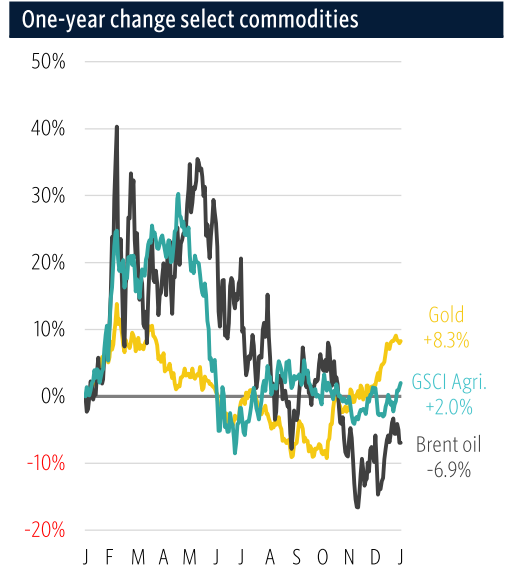


Source: Morningstar

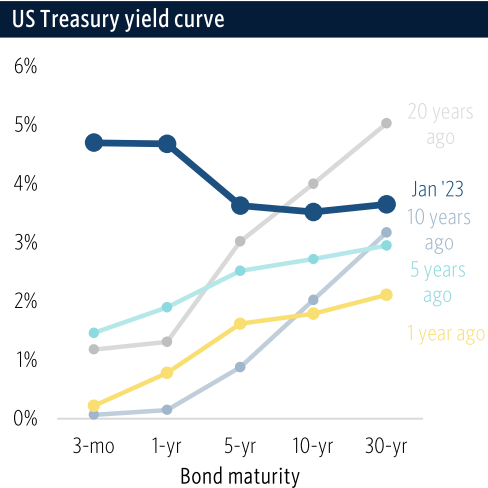


Note: Mega-funds include VC funds of \$500M+ or debt, PE, real assets, or real estate funds of \$5B+.

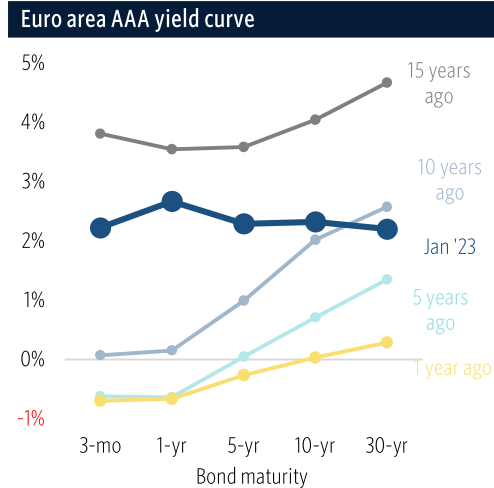
Source: PitchBook



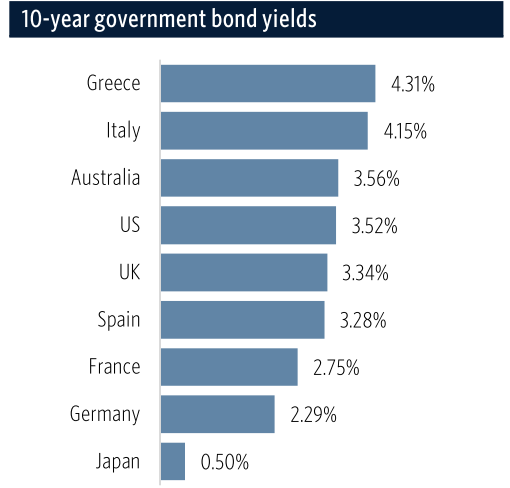
Source: Morningstar



Source: FRED



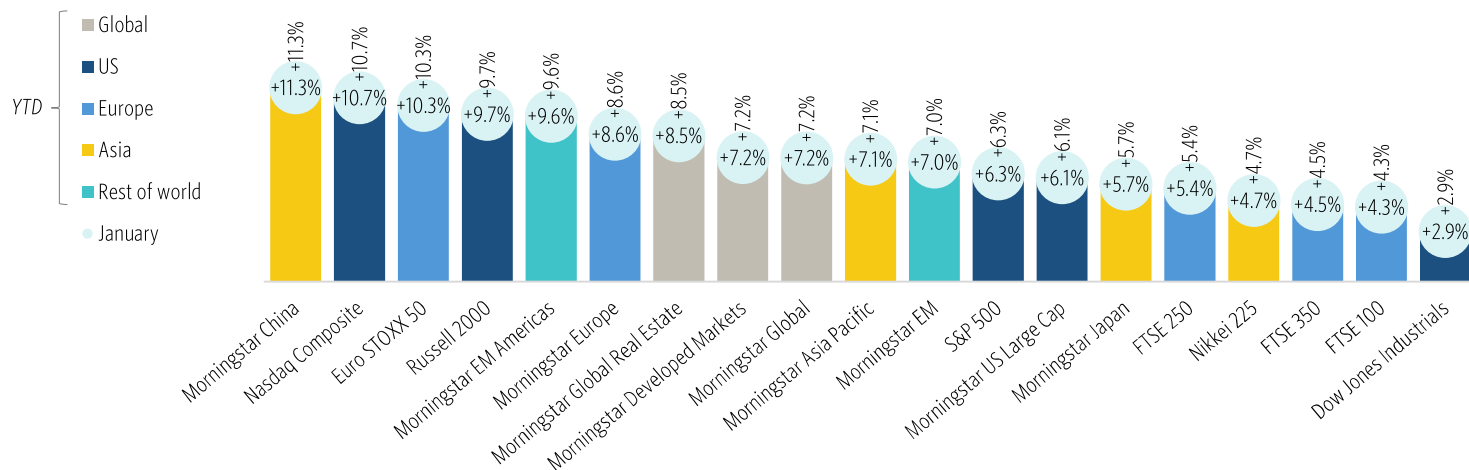
Source: European Central Bank



Sources: FRED, Tullett Prebon

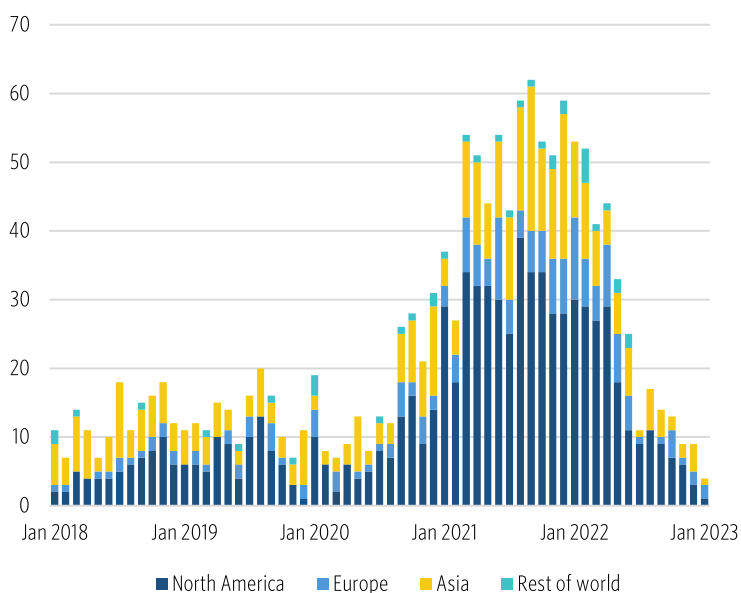
Equity markets

2023 select public indexes total return



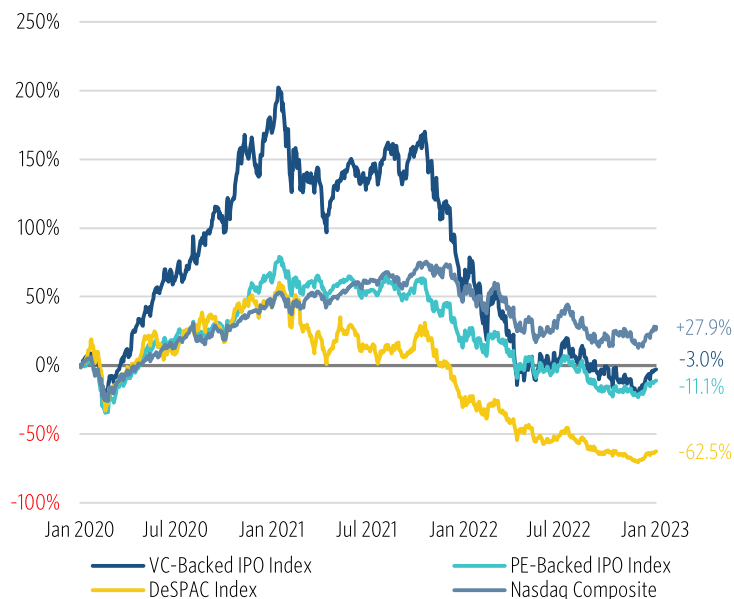
Source: Morningstar

VC-backed unicorns created monthly by HQ region



Source: PitchBook

US IPO and DeSPAC indexes versus Nasdaq three-year return



Sources: Morningstar, PitchBook

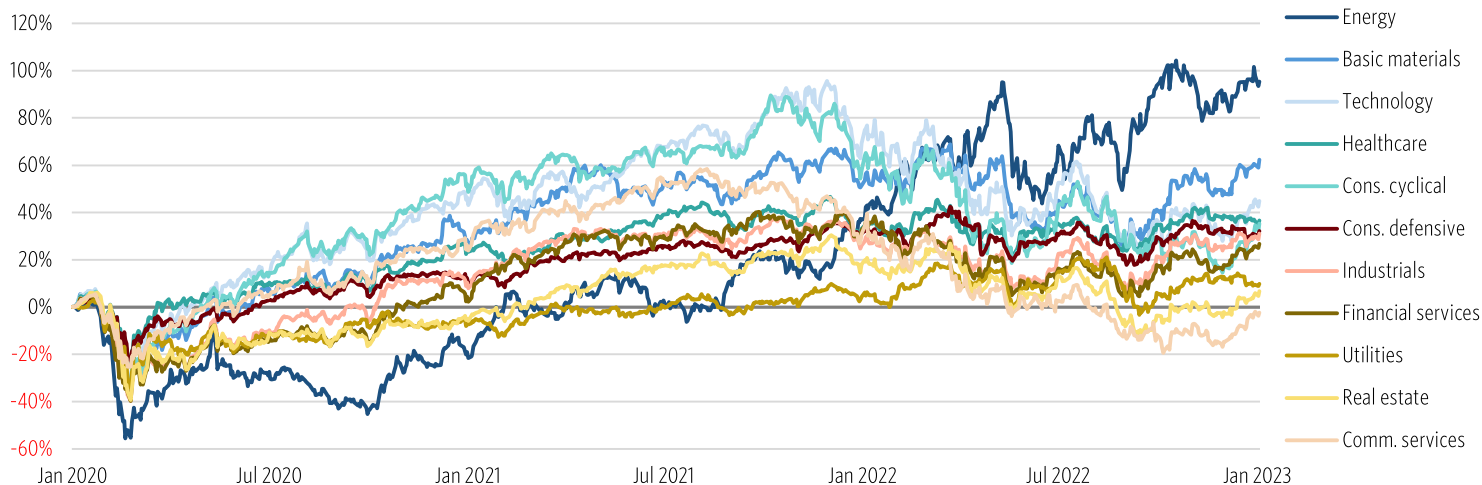
Largest PE- and VC-backed public listings in January

Company	Date	Backing	Valuation (\$B)	Exchange: Ticker	Industry	HQ country
fenbi.com	January 9	VC	\$2.7	HKG: 02469	Software	China
Biokin Pharmaceutical	January 6	PE	\$1.4	SHG: 688506	Pharma & biotech	China
HUB Security	January 1	VC	\$1.3	NAS: HUBC	Software	Israel
Pagoda	January 16	PE	\$1.1	HKG: 02411	B2C	China
Bridger Aerospace Group Holdings	January 25	PE	\$1.1	NAS: BAER	B2B	US
Beautiful Pastoral	January 16	PE	\$0.6	HKG: 02373	B2C	China
Skyward Specialty Insurance	January 13	PE	\$0.6	NAS: SKWD	Financial services	US
Information2	January 19	PE	\$0.5	SHG: 688435	B2B	China
VNG	January 5	VC	\$0.4	HSTC: VNZ	Software	Vietnam
Sanergy Group	January 16	PE	\$0.2	HKG: 02459	B2B	Hong Kong

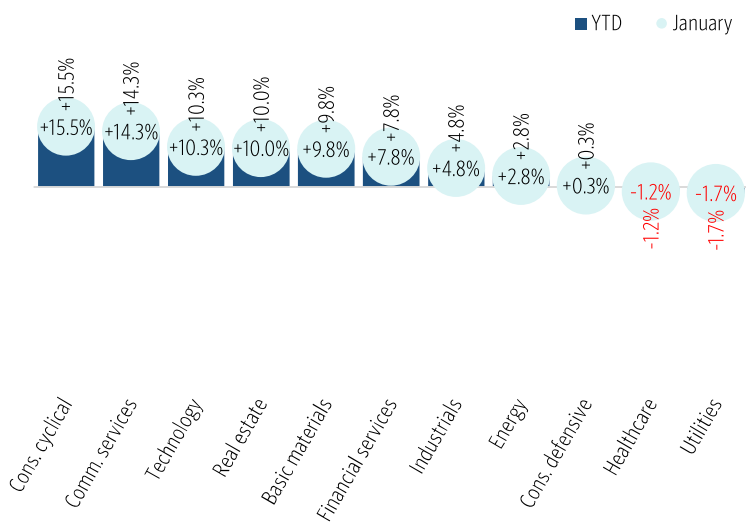
Source: PitchBook

Equity markets

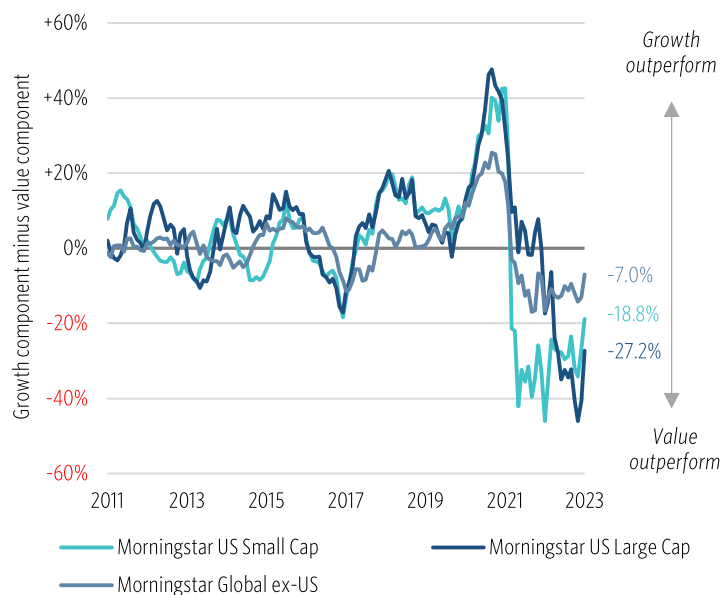
Morningstar US sector indexes three-year total return



2023 Morningstar US sector indexes total return



"Growth" versus "value" relative YoY total return



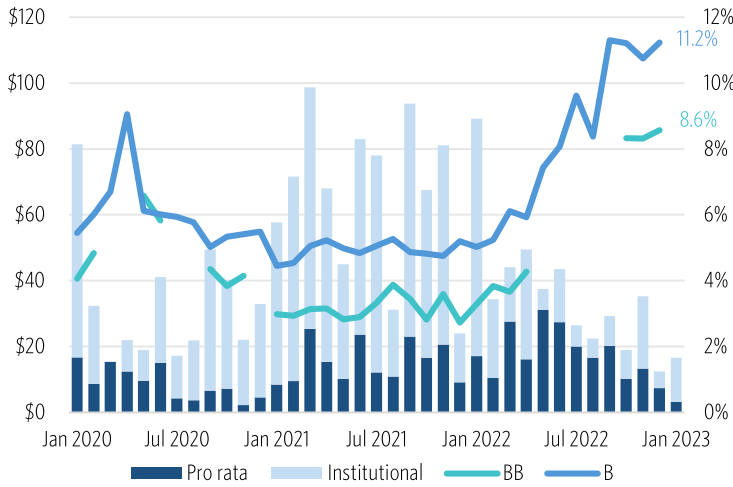
Notable PE and VC deals in January

Company	Date	Deal value (\$B)	Valuation (\$B)	Deal type	Industry	HQ country
Kakao Entertainment	January 11	\$0.9	\$8.2	PE growth/expansion	Software	South Korea
Xiaodu Technology	January 18		\$5.2	Series B1	B2C	China
IVI-RMA Global	January 12	\$3.2		Buyout/LBO	HC services & systems	Spain
Duck Creek Technologies	January 9	\$2.6	\$2.6	Buyout/LBO	Software	US
Enpal	January 9	\$0.2	\$2.5	Series D	Energy	Germany
Talend	January 5	\$2.4	\$2.4	Buyout/LBO	Software	US
BioRay Pharmaceutical	January 3	\$0.2	\$2.1	PE growth/expansion	Pharma & biotech	China
ShiftKey	January 11	\$0.3	\$2.0	PE growth/expansion	HC services & systems	US
Hero Motors	January 5	\$0.2	\$1.8	PE growth/expansion	Transportation	India
A2Mac1	January 11	\$1.5	\$1.6	Buyout/LBO	B2B	France

Source: PitchBook

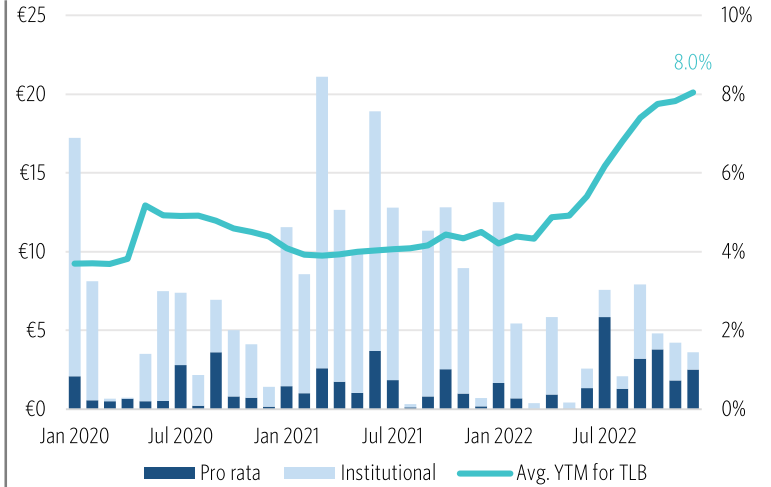
Debt markets

US leveraged loan value (\$B) and selected yields



Source: LCD

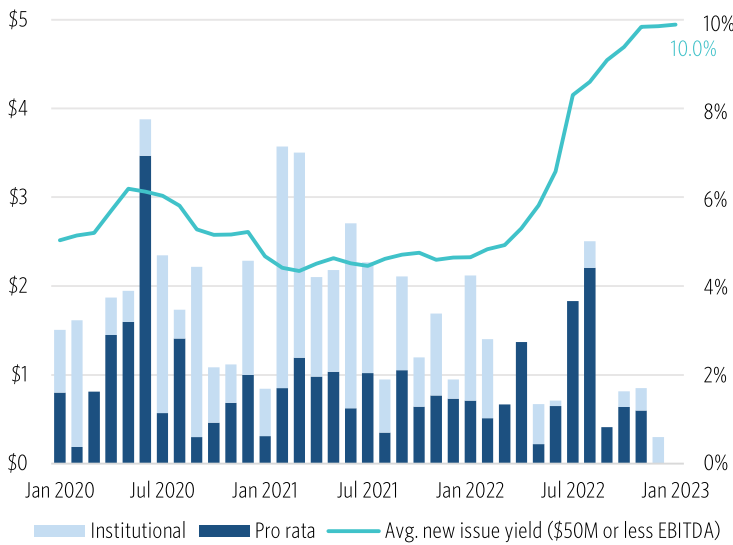
European leveraged loan value (€B) and TLB yield*



Note: TLB stands for Term Loan B. *As of December 31, 2022

Source: LCD

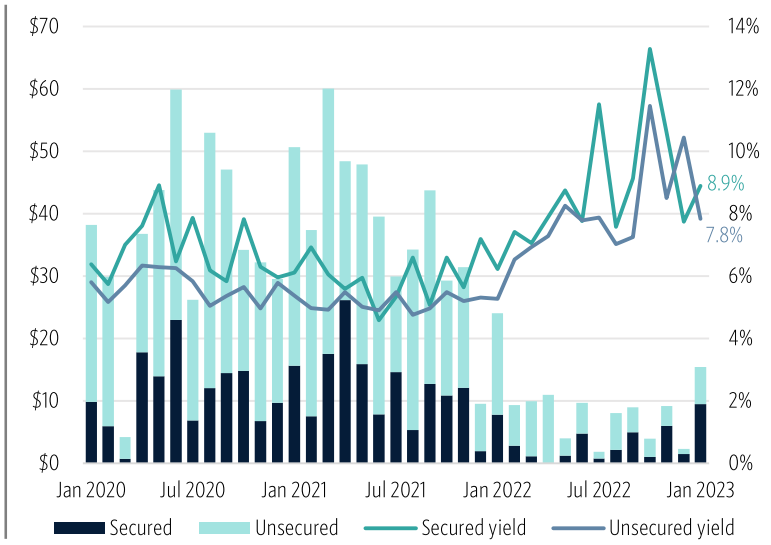
US middle-market loan value (\$B) and average new issue yield



Note: Middle market refers to deal size of \$350M or less.

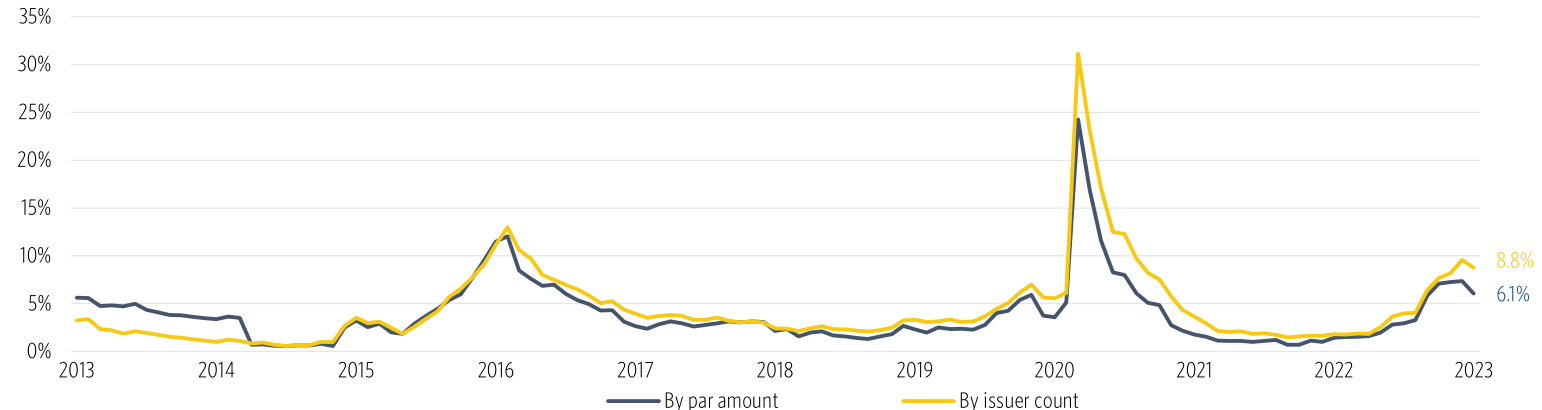
Source: LCD

US high-yield bond value (\$B) and selected yields



Source: LCD

Morningstar/LSTA Leveraged Loan Index distressed ratio

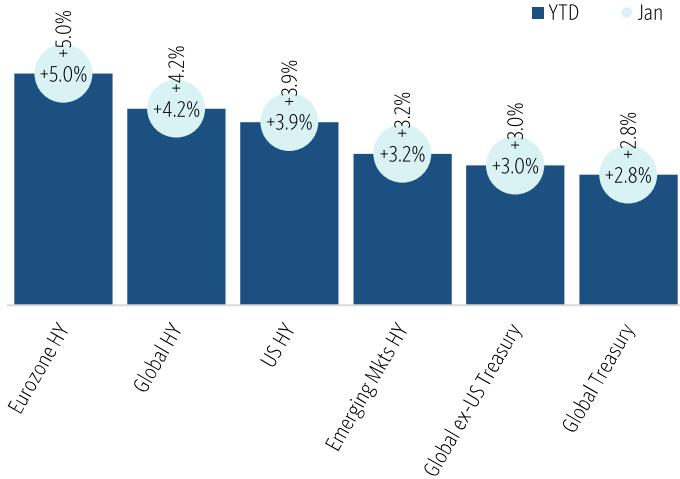


Note: "Distressed" loans are priced below 80 to par.

Source: LCD

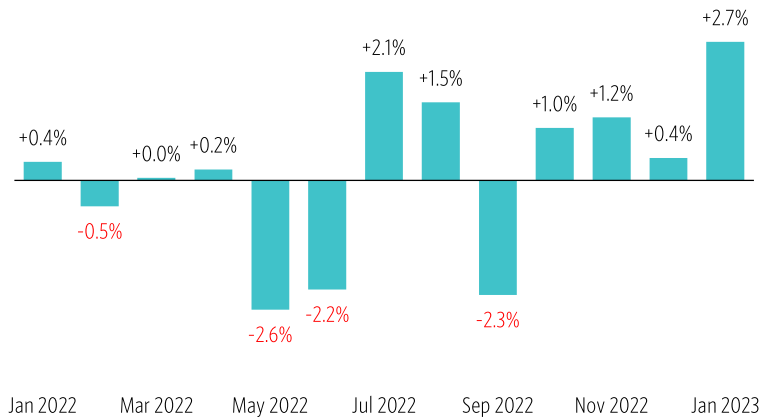
Debt markets

Select Morningstar bond indexes total return



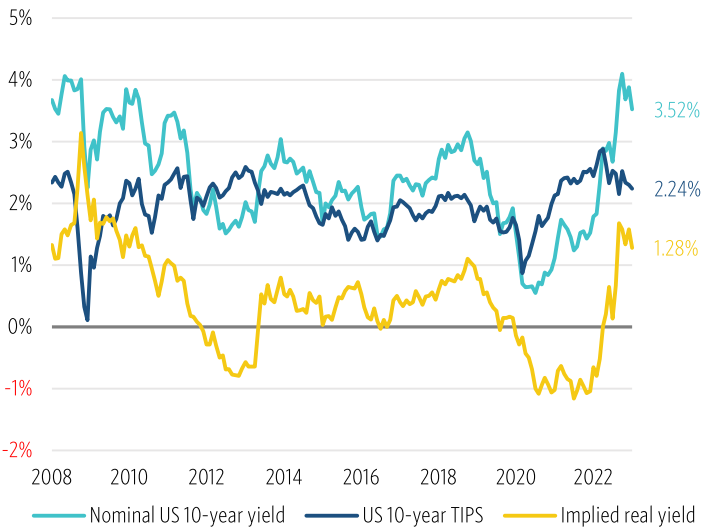
Source: Morningstar

Morningstar/LSTA Leveraged Loan Index monthly return



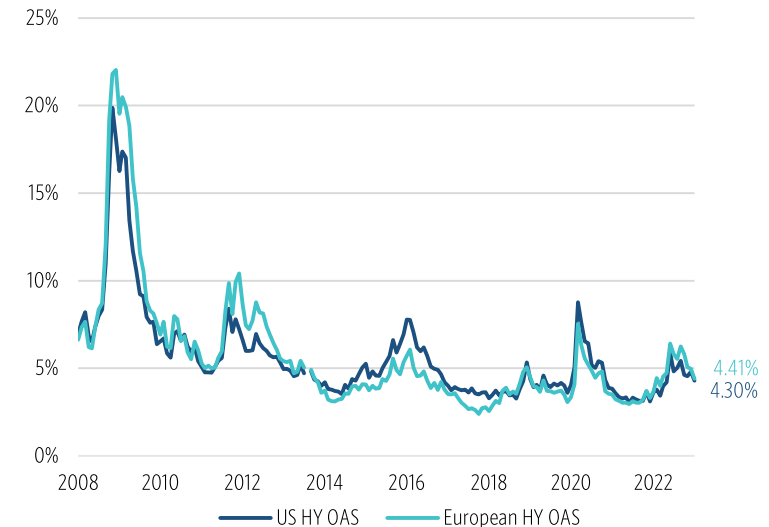
Source: LCD

US 10-year TIPS-implied inflation and real yield



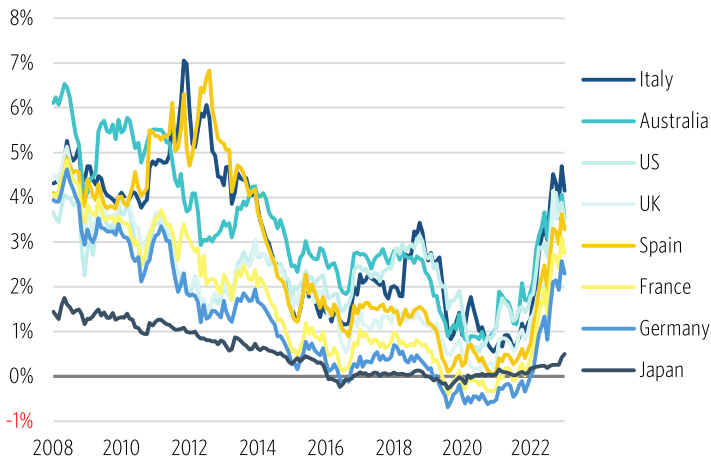
Source: FRED

US and European high-yield option-adjusted spread



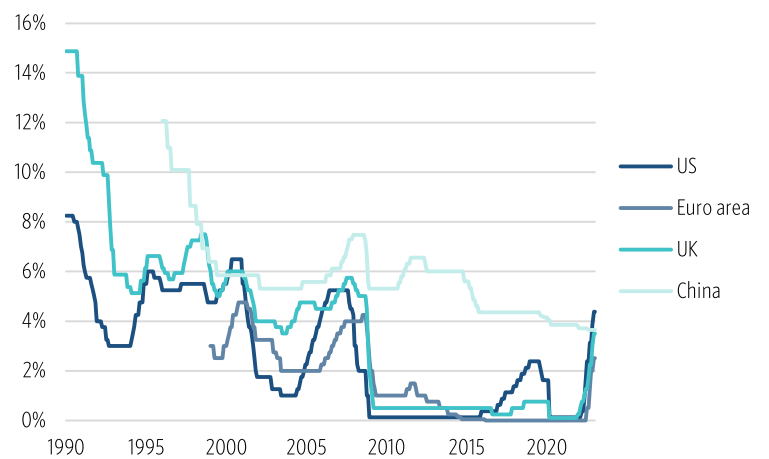
Source: FRED

10-year government bond yields by country



Sources: FRED, Tullett Prebon

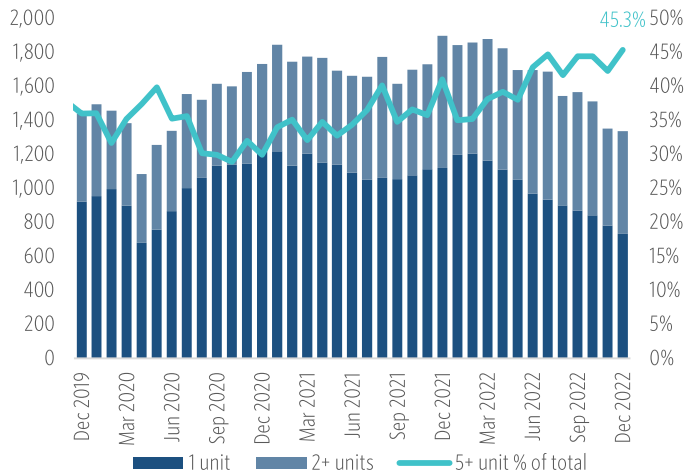
Select central bank policy rates



Source: Bank of International Settlements

Real estate

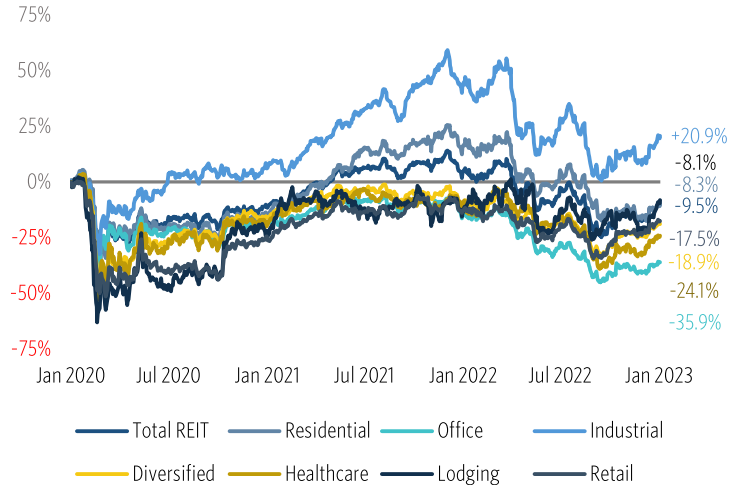
Monthly US new privately owned housing units permits authorization (000s)*



*As of December 31, 2022

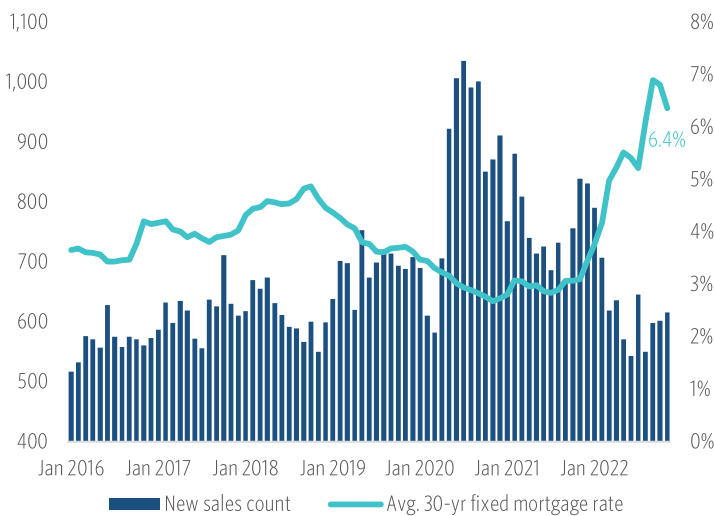
Source: HUD

Morningstar global REIT indexes three-year total return



Source: Morningstar

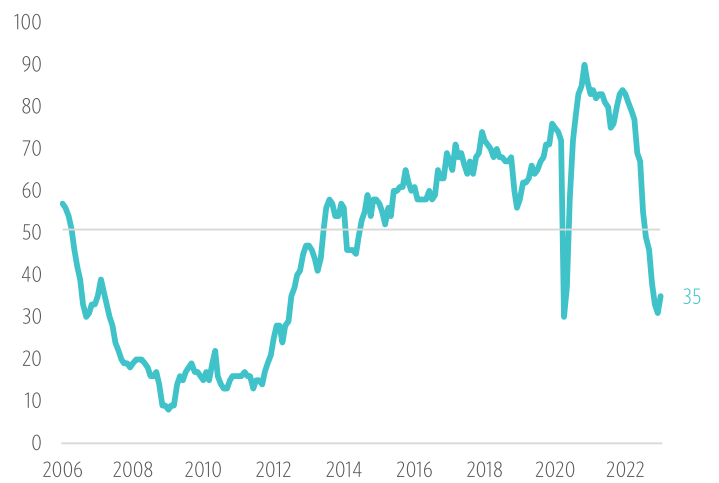
Monthly US new single family home sales (000s) and 30-year mortgage rate*



*As of November 30, 2022

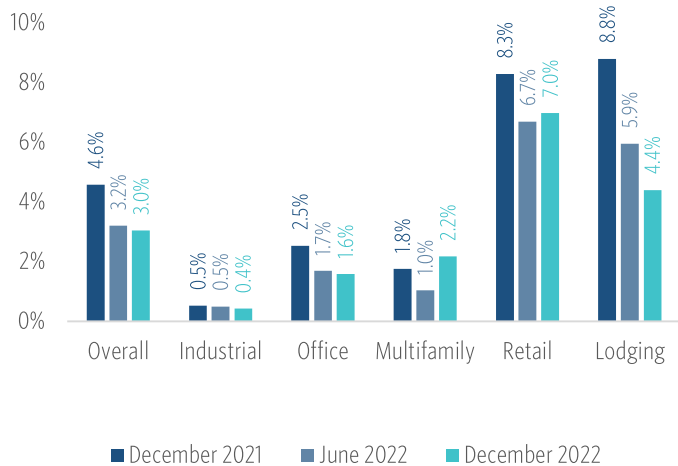
Source: FRED

NAHB/Wells Fargo Housing Market Index



Source: NAHB

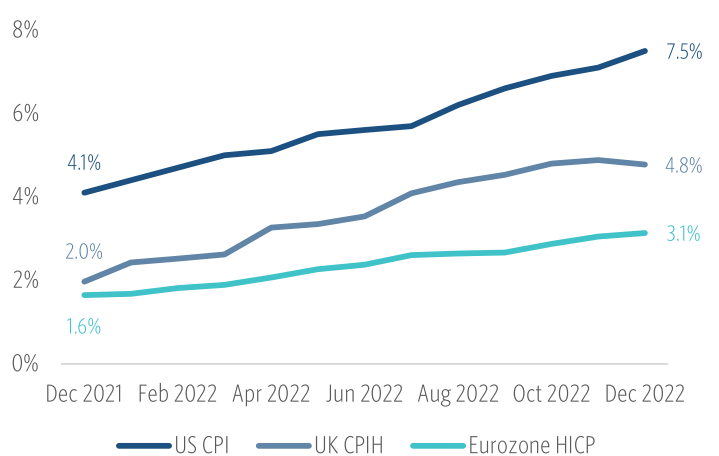
Proportion of CMBS 30+ days delinquent by property type*



*As of December 31, 2022

Source: Trepp

Year-over-year change in housing inflation by region



Sources: BLS, UK ONS, ECB

Select indexes total return

Index	Jan	3 months	YTD	1 year	2 years	3 years	4 years	5 years	10 years	20 years	30 years
Dow Jones Industrials	2.93%	4.68%	2.93%	-0.92%	8.75%	8.68%	10.41%	7.77%	11.98%	10.13%	10.61%
Nasdaq Composite	10.72%	5.69%	10.72%	-17.95%	-5.15%	9.03%	13.28%	10.34%	15.15%		
S&P 500	6.28%	5.76%	6.28%	-8.22%	6.38%	9.88%	12.72%	9.54%	12.68%	10.28%	9.84%
S&P 500 Growth	5.62%	2.54%	5.62%	-18.62%	-0.53%	8.71%	12.51%	9.95%	13.77%	10.74%	
S&P 500 Value	7.00%	9.01%	7.00%	3.08%	13.46%	9.66%	11.76%	8.17%	10.91%	9.45%	
Nasdaq 100	10.67%	6.36%	10.67%	-18.23%	-2.48%	11.30%	16.07%	12.76%	17.33%	14.34%	
Russell 2000	9.75%	5.02%	9.75%	-3.38%	-2.30%	7.51%	7.93%	5.54%	9.36%	10.03%	8.84%
Euro STOXX 50	10.28%	16.61%	10.28%	5.33%	13.98%	8.90%	11.99%	7.87%	8.72%	7.28%	
STOXX Europe 600	6.67%	9.95%	6.67%	-3.34%	7.01%	3.34%	6.02%	2.76%	4.67%	4.47%	5.12%
FTSE 100	4.35%	10.12%	4.35%	8.04%	14.22%	5.80%	6.69%	4.57%	6.11%	7.90%	7.22%
FTSE 250	5.44%	11.60%	5.44%	-6.82%	1.50%	0.15%	3.99%	2.14%	7.03%	11.28%	9.68%
FTSE 350	4.50%	10.33%	4.50%	5.56%	12.06%	4.90%	6.30%	4.21%	6.25%	8.35%	
Nikkei 225	4.73%	-0.75%	4.73%	3.47%	1.34%	7.66%	9.23%	5.49%	11.47%		
FTSE China A50	10.08%	33.78%	10.08%	-9.14%	-12.60%	3.64%	7.53%	0.37%	6.61%		
Hong Kong HSI	10.42%	48.72%	10.42%	-8.23%	-12.13%	-6.02%	-5.97%	-7.86%	-0.83%	4.38%	4.55%
Morningstar US	6.84%	6.02%	6.84%	-8.49%	4.37%	9.38%	12.16%	9.13%	12.32%	10.52%	9.78%
Morningstar US Growth	10.93%	6.04%	10.93%	-20.85%	-6.56%	7.05%	11.59%	9.68%	13.39%	10.70%	
Morningstar US Value	4.29%	6.32%	4.29%	3.30%	13.80%	9.54%	10.18%	7.09%	10.45%	9.35%	
Morningstar US Large Cap	6.06%	4.86%	6.06%	-10.64%	4.15%	9.14%	12.48%	9.41%	12.67%	10.13%	9.53%
Morningstar US Large Cap Growth	10.24%	4.87%	10.24%	-24.51%	-10.30%	2.33%	7.98%	6.84%	12.44%	9.55%	
Morningstar US Large Cap Value	2.91%	5.25%	2.91%	2.70%	12.85%	8.92%	10.12%	7.09%	10.24%	8.64%	
Morningstar US Mid Cap	8.40%	9.47%	8.40%	-2.55%	6.26%	10.31%	12.04%	8.99%	11.92%	11.65%	10.38%
Morningstar US Mid Cap Growth	9.75%	9.84%	9.75%	-13.08%	-7.52%	7.01%	11.12%	9.19%	11.65%	11.50%	
Morningstar US Mid Cap Value	7.52%	9.55%	7.52%	4.83%	16.08%	10.52%	10.24%	7.11%	11.42%	11.12%	
Morningstar US Small Cap	10.55%	8.24%	10.55%	-1.78%	0.94%	7.80%	8.18%	5.70%	9.42%	10.63%	9.52%
Morningstar US Small Cap Growth	10.67%	6.19%	10.67%	-13.81%	-16.39%	1.64%	4.38%	3.95%	8.90%	9.99%	
Morningstar US Small Cap Value	10.25%	8.21%	10.25%	5.00%	15.53%	12.82%	9.95%	6.28%	9.21%	10.96%	
Morningstar US Large-Mid Cap	6.57%	5.85%	6.57%	-8.95%	4.61%	9.44%	12.41%	9.34%	12.48%	10.47%	9.81%
Morningstar US Large-Mid Cap Growth	10.77%	7.13%	10.77%	-20.63%	-5.47%	7.62%	12.32%	10.32%	13.76%	10.71%	
Morningstar US Large-Mid Cap Value	3.87%	6.15%	3.87%	3.11%	13.58%	9.17%	10.11%	7.06%	10.34%	9.10%	
Morningstar US Small-Mid Cap	8.94%	9.18%	8.94%	-2.35%	4.93%	9.73%	11.11%	8.16%	11.18%	11.33%	10.15%
Morningstar US Small-Mid Cap Growth	9.98%	8.92%	9.98%	-13.26%	-9.79%	5.72%	9.50%	7.92%	10.89%	11.10%	
Morningstar US Small-Mid Cap Value	8.21%	9.28%	8.21%	4.92%	16.03%	11.20%	10.25%	6.93%	10.74%	11.02%	
Morningstar Global Mkts Sustainability	7.21%	12.68%	7.21%	-7.11%	3.16%	7.45%	10.00%	6.55%	8.97%		
Morningstar Global Corp Bond Sustain.	3.96%	10.19%	3.96%	-11.16%	-8.39%	-3.21%	0.03%	-0.33%			
Morningstar-PitchBook Listed PE	13.10%	16.08%	13.10%	-17.13%	3.95%	10.23%	15.74%	9.52%	0.13		
Morningstar US Communication Services	14.33%	12.32%	14.33%	-27.38%	-11.25%	-0.82%	5.51%	3.41%	8.44%	8.97%	
Morningstar US Consumer Defensive	0.31%	2.53%	0.31%	-0.03%	9.61%	9.74%	12.30%	8.59%	10.75%	10.46%	10.17%
Morningstar US Consumer Cyclical	15.52%	5.66%	15.52%	-17.44%	-4.61%	10.61%	12.19%	9.99%	13.52%	11.98%	9.66%
Morningstar US Energy	2.76%	0.20%	2.76%	42.14%	57.86%	25.02%	14.36%	8.30%	4.82%	9.77%	
Morningstar US Financial Services	7.77%	8.22%	7.77%	-5.57%	11.27%	8.21%	11.33%	7.15%	12.76%	6.72%	8.84%
Morningstar US Healthcare	-1.24%	1.39%	-1.24%	1.52%	5.26%	10.97%	11.24%	9.93%	13.79%	10.83%	11.65%
Morningstar US Industrials	4.81%	8.33%	4.81%	2.64%	10.23%	9.47%	11.45%	7.55%	12.08%	11.07%	10.27%
Morningstar US Basic Materials	9.77%	15.91%	9.77%	5.77%	13.67%	17.52%	15.64%	8.62%	9.89%	10.21%	8.27%
Morningstar US Real Estate	9.98%	10.97%	9.98%	-10.91%	6.53%	2.21%	5.45%	6.53%	6.89%	9.31%	9.66%
Morningstar US Technology	10.26%	7.16%	10.26%	-17.20%	0.62%	13.16%	19.15%	15.17%	18.19%	13.83%	12.48%
Morningstar US Utilities	-1.65%	4.36%	-1.65%	3.35%	8.85%	3.16%	8.92%	9.53%	10.24%	10.69%	8.57%

Note: Returns more than one year are annualized.

Source: Morningstar

Select indexes total return

Index	Jan	3 months	YTD	1 year	2 years	3 years	4 years	5 years	10 years	20 years	30 years
Morningstar US REIT	10.00%	11.01%	10.00%	-10.43%	7.82%	2.93%	6.27%	7.13%	7.70%	9.90%	
Morningstar Global Real Estate	8.51%	14.33%	8.51%	-13.09%	0.33%	-1.81%	1.70%	1.65%	4.36%	8.50%	
Morningstar US Real Estate	9.98%	10.97%	9.98%	-10.91%	6.53%	2.21%	5.45%	6.53%	6.89%	9.31%	9.66%
Morningstar Dev Europe Real Estate	12.02%	22.56%	12.02%	-30.38%	-12.79%	-10.21%	-4.10%	-4.51%	2.81%	6.36%	
Morningstar Emerging Mkts Real Estate	5.01%	29.90%	5.01%	-16.76%	-13.45%	-11.18%	-8.12%	-9.56%	-2.64%	4.58%	
Morningstar Global Treasury	2.80%	8.23%	2.80%	-14.54%	-11.43%	-5.80%	-3.09%	-2.63%	-0.98%	2.39%	
Morningstar Global ex-US Treasury	2.99%	10.44%	2.99%	-17.61%	-14.08%	-7.53%	-4.78%	-4.26%	-1.87%	2.06%	
Morningstar US HY	3.93%	5.22%	3.93%	-4.98%	-1.54%	1.34%	3.29%	2.93%	4.26%	7.11%	
Morningstar Global HY	4.21%	7.86%	4.21%	-6.31%	-3.20%	0.55%	2.54%	1.84%	3.58%	6.97%	
Morningstar Eurozone HY	4.97%	16.78%	4.97%	-9.50%	-8.04%	-1.62%	0.14%	-1.97%	1.21%	6.70%	
Morningstar EM HY	3.24%	12.94%	3.24%	-9.72%	-7.98%	-3.97%	-0.84%	-0.71%	2.06%	7.16%	
S&P GSCI	-0.09%	-3.15%	-0.09%	12.76%	29.77%	14.75%	9.82%	5.73%	-3.72%	-0.75%	1.23%
Morningstar Real Assets	3.81%	6.53%	3.81%	-2.40%	6.72%	6.06%	5.42%	4.37%	2.84%	6.12%	
Alerian MLP ETF	6.26%	-1.54%	6.26%	19.95%	32.63%	10.07%	4.13%	1.85%	0.47%		
BBg Commodity	-0.49%	-0.27%	-0.49%	6.20%	19.63%	15.36%	9.79%	5.92%	-1.57%	0.97%	3.11%
BBg Commodity ex Precious Metals	-1.68%	-4.29%	-1.68%	5.66%	23.78%	16.79%	9.56%	5.54%	-2.08%	-0.09%	
S&P GSCI Gold Spot	6.52%	18.57%	6.52%	8.29%	2.54%	7.00%	10.07%	7.69%	1.59%	8.67%	6.08%
Oil Price Brent Crude	-1.18%	-10.47%	-1.18%	-6.92%	23.31%	13.45%	8.23%	4.22%	-3.02%	5.06%	5.23%
S&P GSCI Agriculture	0.77%	0.30%	0.77%	2.02%	10.19%	17.34%	13.14%	10.65%	0.19%	4.65%	3.01%
Morningstar Developed Mkts Min Vol	2.35%	8.19%	2.35%	-3.16%	2.66%	1.86%	5.70%	4.39%	8.48%		
Morningstar US Min Vol	1.92%	4.32%	1.92%	-4.91%	4.52%	3.87%	8.02%	6.85%	10.78%		
Morningstar Global	7.20%	11.30%	7.20%	-7.18%	2.18%	7.12%	9.28%	5.80%	8.73%	9.44%	
Morningstar Global ex-US	7.71%	19.43%	7.71%	-5.32%	-0.63%	4.29%	5.83%	2.00%	5.20%	8.46%	
Morningstar Global ex-US Growth	7.69%	18.69%	7.69%	-8.44%	-6.00%	2.84%	6.16%	2.47%	5.11%		
Morningstar Global ex-US Value	7.93%	20.44%	7.93%	-1.47%	5.62%	5.55%	5.31%	1.62%	4.34%		
Morningstar Global All Cap	7.26%	11.24%	7.26%	-7.15%	2.19%	7.18%	9.30%	5.80%	8.67%		
Morningstar Global Large Cap	6.79%	10.74%	6.79%	-8.23%	2.13%	7.02%	9.51%	6.05%	8.78%	9.03%	
Morningstar Global Small Cap	8.83%	12.62%	8.83%	-5.70%	-1.22%	6.20%	7.44%	3.74%	7.77%		
Morningstar Developed Markets	7.24%	10.23%	7.24%	-6.76%	3.64%	7.71%	10.11%	6.62%	9.54%	9.56%	
Morningstar Developed Markets ex-US	8.00%	19.22%	8.00%	-3.28%	2.32%	4.88%	6.79%	2.78%	5.55%	8.13%	
Morningstar Europe	8.59%	21.44%	8.59%	-5.76%	2.79%	4.50%	6.87%	2.45%	5.27%	8.18%	
Morningstar Asia Pacific	7.13%	21.94%	7.13%	-5.79%	-5.74%	3.52%	4.73%	1.16%	5.28%	8.05%	
Morningstar Asia Pacific ex-Japan	7.87%	24.82%	7.87%	-5.67%	-6.41%	4.87%	5.33%	1.60%	4.65%	10.11%	
Morningstar EM	6.98%	20.00%	6.98%	-10.21%	-7.46%	3.02%	3.38%	-0.05%	3.05%	10.01%	
Morningstar EM Asia	7.66%	25.00%	7.66%	-10.04%	-9.56%	4.57%	4.88%	0.79%	4.89%	9.95%	
Morningstar EM Europe	-1.88%	24.97%	-1.88%	-64.39%	-36.37%	-27.84%	-18.65%	-17.26%	-8.52%	2.72%	
Morningstar EM Americas	9.64%	5.40%	9.64%	9.72%	6.96%	-0.96%	-0.89%	-1.55%	-1.51%	11.26%	
Morningstar US	6.84%	6.02%	6.84%	-8.49%	4.37%	9.38%	12.16%	9.13%	12.32%	10.52%	9.78%
Morningstar UK	6.81%	18.01%	6.81%	-2.91%	6.37%	2.27%	4.19%	1.03%	3.45%	7.01%	
Morningstar China	11.31%	50.08%	11.31%	-8.88%	-19.26%	-1.09%	0.57%	-3.10%	3.63%	10.90%	
Morningstar Germany	12.51%	28.37%	12.51%	-8.51%	-2.86%	2.89%	4.83%	-0.92%	4.34%	8.99%	
Morningstar France	11.06%	24.19%	11.06%	0.33%	9.14%	7.77%	9.86%	4.73%	7.75%	8.96%	
Morningstar Canada	8.94%	10.42%	8.94%	-3.06%	10.31%	9.29%	10.34%	6.78%	5.11%	9.92%	
Morningstar Japan	5.69%	16.63%	5.69%	-6.01%	-4.54%	1.30%	3.62%	0.35%	6.18%	6.13%	
Morningstar Australia	10.57%	20.90%	10.57%	12.68%	6.79%	8.48%	9.99%	5.99%	4.79%	10.84%	
Morningstar Brazil	7.36%	0.15%	7.36%	5.88%	2.97%	-5.09%	-3.37%	-2.50%	-1.46%	12.44%	
Morningstar India	-2.41%	-2.70%	-2.41%	-8.90%	9.25%	11.29%	11.02%	5.19%	8.32%	14.37%	

Note: Returns more than one year are annualized.

Source: Morningstar

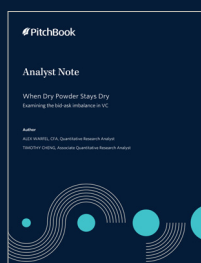
Additional research

Private markets



2022 Global Fund Performance Report (as of Q2 2022 with preliminary Q3 2022 data)

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Q1 2023 PitchBook Analyst Note: When Dry Powder Stays Dry

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Q1 2023 PitchBook Analyst Note: What the Future Holds for Private Capital

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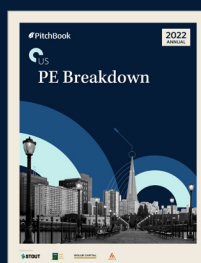
Q1 2023 PitchBook Analyst Note: The Role of Placement Agents in GP Fundraising

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2022 Annual US PE Breakdown

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