

MARKET SPOTLIGHT—MARCH 2023

Caught between inflation and stress on the US regional banking sector

Over the past year, high inflation has caused hardship for individuals and businesses. Central banks responded by aggressively raising interest rates in an effort to tame prices. This month, however, the US Federal Reserve Board (Fed) found itself balancing its fight against inflation with trying to calm stress in parts of the US banking system. In this issue of Market Spotlight, Giuseppe Pietrantonio, Associate Client Portfolio Manager, Multi Asset and Currency Management, examines the Fed's latest rate hike.

And, in this installment of "ESG in Focus," Nick Ciaravella, Associate, Sustainable Investments, takes a look at why gender diversity matters for businesses and investors.



US keeps up its inflation-fighting efforts

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In March, The US Federal Reserve Board (Fed), who aims to promote maximum employment and price stability, again raised interest rates by only a quarter percentage point at its Federal Open Market Committee (FOMC) meeting on March 21-22.

In a statement issued after the policymaking meeting, the Fed noted that "recent indicators point to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low." However, the Fed noted that "Inflation remains elevated." Earlier in the month, Fed Chairman Jerome Powell, in his [Semiannual Monetary Policy Report to the US Congress](#), cautioned that interest rates were likely to go higher because economic data had come in stronger than anticipated, fueling inflation.



Gender diversity in the workforce

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When investors think about environmental, social and governance (ESG) investing, they sometimes focus only on the environmental perspective. However, the social perspective is equally important. This perspective includes gender—something worth noting as the world celebrates International Women’s Day this month and embraces the economic value of women.

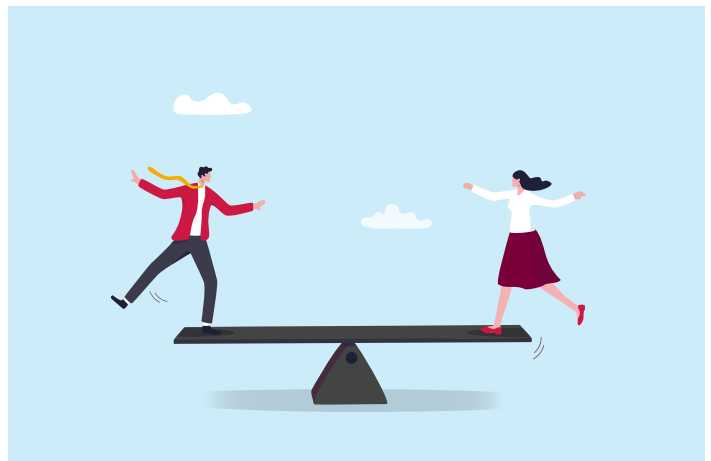
Incorporating a gender lens into the investment selection process involves examining numerous factors such as a company’s overall gender diversity, equity and inclusion policies. It also includes looking at the proportion of women in senior leadership and Board positions as well as examining the initiatives being undertaken by a company to advance gender diversity, equity and inclusion within their industry. These factors are becoming increasingly relevant as support and progress continue to be made throughout the workforce.

Gender diversity improves a company’s business performance

There’s growing evidence to suggest companies with greater gender diversity tend to perform better over the long run. In 2020, global consulting firm McKinsey & Company published [Diversity wins: how inclusion matters](#), a study examining the benefits of diversity in the business world. The study concluded that “the business case for diversity, equity, and inclusion is stronger than ever. Taking a closer look at diversity winners reveals what can drive real progress.” Furthermore, McKinsey found “companies with more than 30 percent women executives were more likely to outperform companies where this percentage ranged from 10 to 30, and in turn these

companies were more likely to outperform those with even fewer women.”

Specific reasons for this outperformance may include things like higher employee satisfaction, hiring from more diverse talent pools, innovation through different perspectives, or avoiding reputational risks. It appears gender diversity in business can help companies deliver better outcomes for both investors and the economy, providing strong returns and helping create a more diverse workforce.



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