

November 23, 2021

# MATRIX

PRIVATE  
CAPITAL  
GROUP

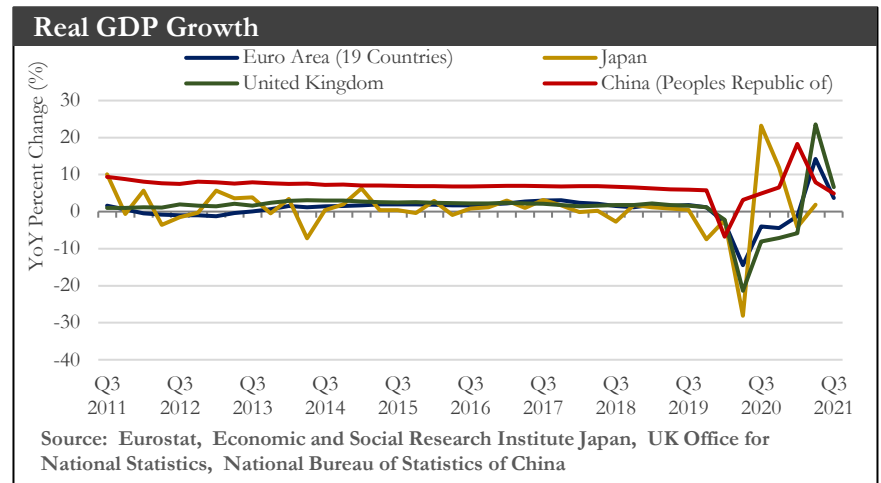
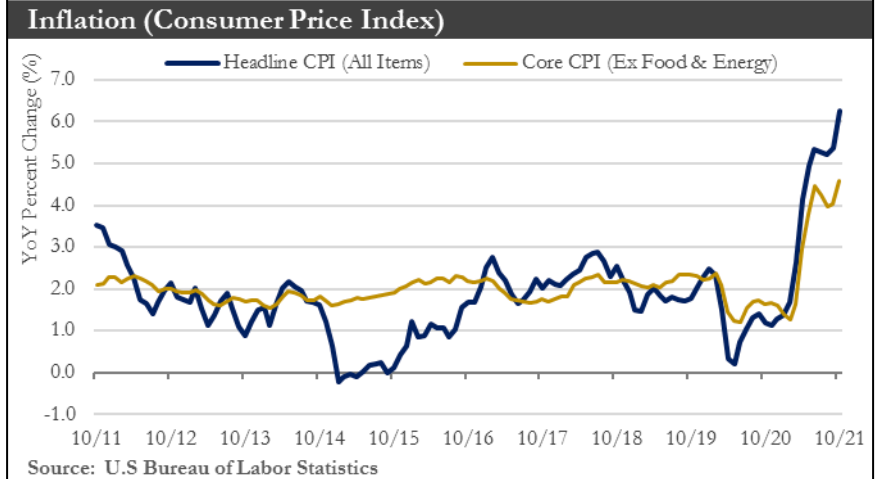
Economic & Market Review

# Capital Market Performance

Index Performance as of: 11/19/2021															
	<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Russell</b>								<b>International Equity - Broad Market</b>							
3000 Value	0.42	3.38	22.17	28.66	13.22	11.32	12.79	MSCI EAFE	0.79	2.07	11.56	18.39	11.72	10.57	7.37
3000	3.54	7.11	25.00	32.67	22.65	18.50	16.10	MSCI EM	-1.89	3.43	0.12	7.92	11.19	11.00	4.88
3000 Growth	6.41	10.58	27.48	36.30	31.52	25.25	19.08	MSCI Frontier Markets	-1.53	2.06	20.09	27.51	11.94	10.00	7.24
1000 Value	0.25	2.90	21.58	27.72	13.17	11.39	12.85	MSCI ACWI	2.22	5.22	18.39	25.57	18.03	15.10	11.32
1000	3.58	6.91	25.40	32.71	23.03	18.88	16.30	MSCI ACWI Ex USA	-0.07	2.91	8.94	16.18	11.86	10.69	6.66
1000 Growth	6.62	10.62	28.85	37.29	32.35	25.95	19.42	MSCI AC Asia Ex Japan	-1.13	3.67	-1.46	5.44	12.75	12.07	7.42
Mid Cap Value	1.46	5.88	25.99	32.90	15.15	11.61	13.18	<b>International Equity - Country Region</b>							
Mid Cap	1.74	6.51	23.27	31.38	20.37	15.76	14.78	MSCI Brazil	-7.06	-15.04	-19.44	-7.87	-7.33	1.18	-4.20
Mid Cap Growth	2.22	7.60	18.22	28.36	27.33	21.14	16.86	MSCI BRIC	-3.87	3.06	-5.75	-0.68	9.78	11.14	4.64
2000 Value	2.79	10.39	30.80	42.79	14.18	10.73	12.12	MSCI China	-3.83	3.54	-14.80	-12.64	9.31	10.80	7.49
2000	3.05	10.16	19.63	32.65	17.61	13.70	13.50	MSCI Europe	0.87	1.27	15.05	22.33	12.52	11.30	7.40
2000 Growth	3.30	9.97	9.44	23.17	20.21	16.17	14.57	MSCI India	-0.86	8.26	28.81	43.65	18.19	16.13	8.21
<b>Standard &amp; Poors</b>								MSCI Japan	1.99	5.46	5.43	11.51	10.69	9.50	8.01
S&P 500	4.08	7.00	26.67	33.08	22.57	18.76	16.21	MSCI EM Latin America	-5.92	-9.90	-11.14	0.13	-4.31	1.53	-3.20
Consumer Disc	10.38	19.77	29.14	34.80	28.38	22.47	19.44	MSCI Russia	-9.93	5.95	27.01	42.30	16.81	15.58	5.28
Consumer Staples	2.70	0.40	10.14	12.09	12.53	10.83	11.87	<b>Fixed Income-Taxable</b>							
Energy	-5.54	21.36	50.35	60.40	-1.42	-0.75	1.52	Barclays U.S. Aggregate	0.39	-0.98	-1.60	-1.27	5.44	3.58	3.00
Financials	-2.22	4.64	34.25	45.18	16.00	14.33	16.26	Barclays US Aggregate 1-3	-0.18	-0.41	-0.34	-0.16	2.51	1.85	1.41
Health Care	3.27	-1.46	18.52	23.99	15.79	15.96	17.00	Barclays US Aggregate 3-5	-0.29	-1.01	-1.47	-1.18	3.85	2.57	2.30
Industrials	2.10	3.67	20.56	22.71	16.58	13.18	14.26	Barclays US Aggregate 5-7	-0.05	-1.19	-2.30	-1.81	4.80	3.20	2.83
Information Technology	7.94	11.66	32.28	42.27	39.46	32.09	22.76	ICE BofAML US 3M Trsy Bill	0.01	0.01	0.04	0.05	1.08	1.15	0.63
Materials	4.52	6.55	23.37	28.74	20.14	15.22	11.82	Barclays U.S. Gov't	0.57	-1.23	-2.38	-2.50	4.81	3.00	2.27
Real Estate	3.73	3.62	34.86	34.43	16.73	14.22	12.13	Barclays U.S. Credit	0.56	-0.94	-1.19	-0.22	7.60	5.17	4.47
Communication Services	-0.17	0.65	24.93	30.59	25.47	14.53	12.40	Barclays High Yield Corp.	-0.03	0.78	4.33	7.06	7.81	6.66	6.78
Utilities	2.19	-1.86	9.82	9.39	10.52	11.53	10.71	Barclays TIPS	1.98	2.11	6.10	8.14	8.69	5.39	3.05
<b>Other U.S. Equity</b>								Barclays Global Aggregate	-0.21	-2.10	-4.53	-2.78	4.25	3.26	1.70
Dow Jones Industrial Avg.	0.61	2.51	18.25	23.03	14.99	16.12	14.32	Barclays Gbl Agg Ex USD	-0.67	-2.94	-6.70	-4.02	3.13	2.87	0.65
NASDAQ 100	7.64	11.16	29.41	39.27	36.84	29.34	22.37	JPM EMBI Global Div	0.13	-1.43	-1.56	0.61	6.47	4.97	5.35
<b>Alternative Investments</b>								<b>Fixed Income-Tax Exempt</b>							
Alerian MLP	-7.82	8.46	41.16	43.78	-1.37	-1.68	0.71	Barclays Municipal	0.44	-0.49	1.12	1.99	5.24	4.07	3.88
Bloomberg Commodity	-1.53	11.32	31.13	39.23	7.45	5.43	-3.04	Barclays Municipal 3 Yr	-0.20	-0.40	0.32	0.58	2.64	2.00	1.66
FTSE NAREIT Equity REIT	4.06	6.63	35.22	37.74	13.44	10.94	10.59	Barclays Municipal 5 Yr	-0.19	-0.69	0.08	0.55	3.74	2.79	2.56
S&P Global Natural Res.	-3.92	6.30	20.01	32.72	9.32	9.96	3.66	Barclays Municipal 7 Yr	-0.10	-0.93	-0.06	0.61	4.52	3.44	3.29
S&P N. Amer Natural Res.	-3.67	16.89	37.27	45.24	4.40	1.93	1.00	Barclays HY Muni	1.08	-0.09	7.23	9.77	8.20	7.34	6.65

# Economic & Market Overview

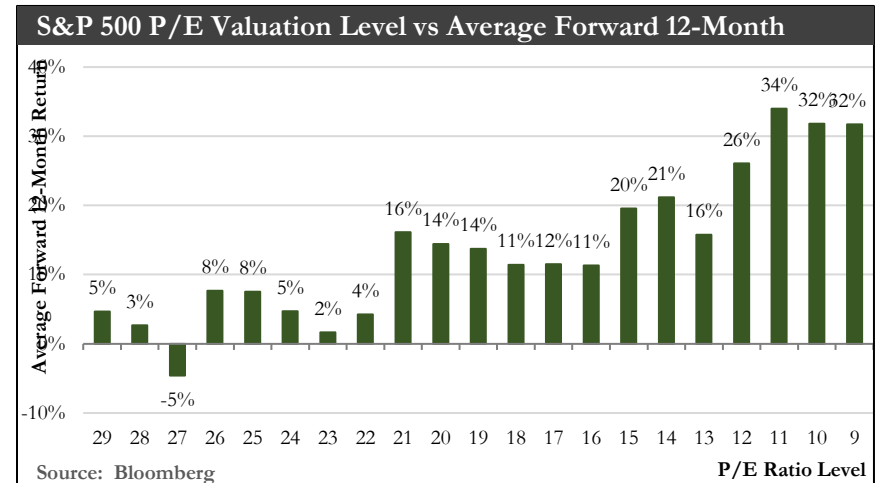
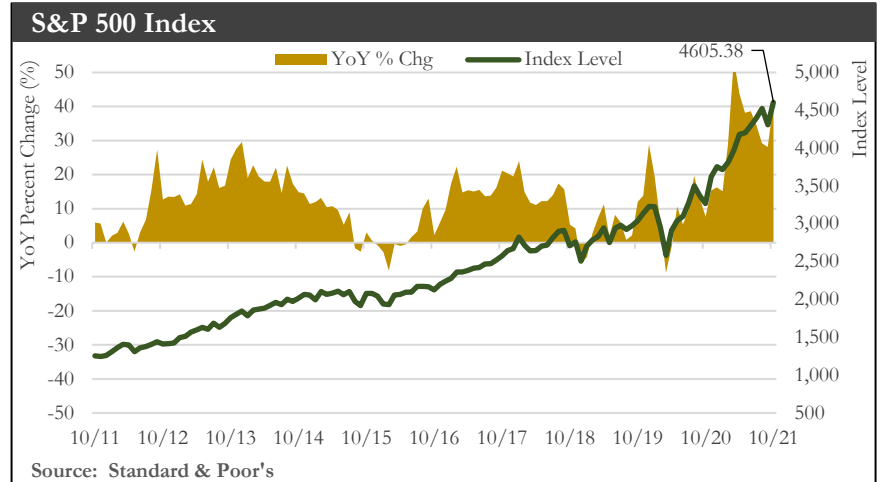
- **US Economic Growth Forecast Lowered Again.** We have lowered our 2021 real global GDP growth forecast again to 5.8%. The U.S. should expand by 5.5% and in Europe 4.6% growth is anticipated. In Japan, GDP growth of about 2.4% is expected in 2021, while emerging economies should grow at a 6.3% pace.
- **Inflation Surge.** The cost of living rose sharply again in October as Americans paid more for staples such as gas and groceries, pushing the rate of inflation to its highest point in more than thirty years. The consumer price index jumped 0.9% last month, while the pace of inflation over the past twelve months marched to 6.2%, up from 5.4% the prior month.
- **Not all Rosy.** Japan's economy contracted much faster than expected in the third quarter as global supply disruptions hit exports and business spending while new COVID-19 cases soured the mood of consumers. Japanese gross domestic product shrank an annualized 3.0% during the July to September period after a revised 1.5% gain in the second quarter.



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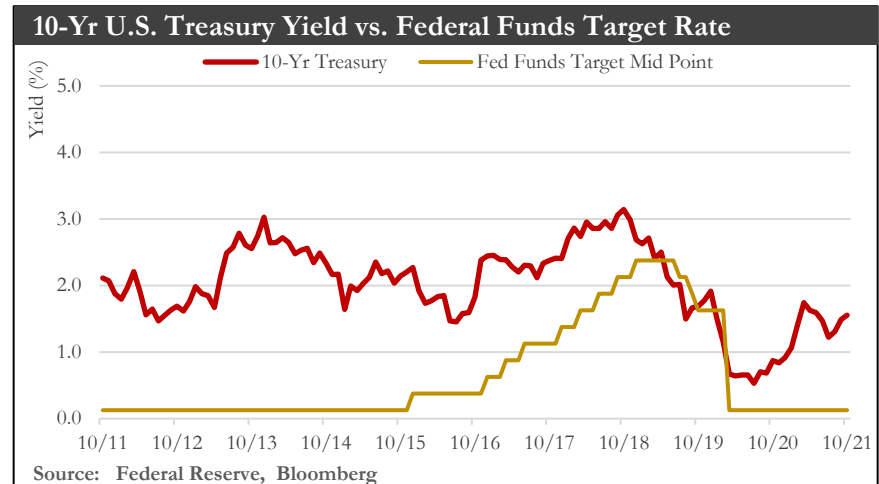
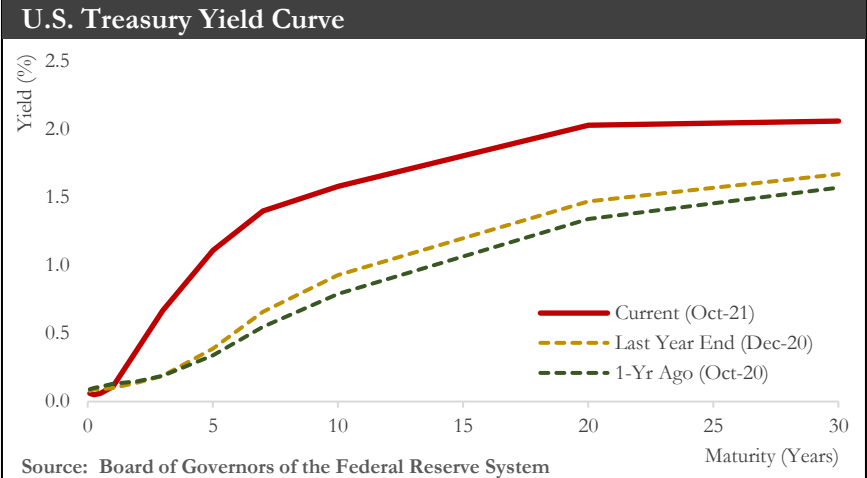
Equities

- PE Ratios Starting to Inch Higher Again Recently.** As of November 5<sup>th</sup>, the S&P 500 was trading at 28.9 times trailing earnings and 22.4 times forward earnings. One year ago, the index was trading at 40.4 times trailing earnings (source: Wall Street Journal).
- Rising Rates Not Necessarily Bad for Stocks.** Market expectations are increasingly pointing to the beginning of a Fed tightening cycle in 2022. Given this potential, it is interesting to note that the Fed's last tightening cycle occurred between December 14, 2016 and December 19, 2018 and included eight rate hikes. Notably, the S&P 500 generated a 15.8% cumulative total return during this period.
- Powell Regime v2.0.** President Biden announced on November 22<sup>nd</sup> the nomination of Fed Chair Powell for a second term leading the central bank. In response, the Dow closed the day only slightly higher after adding as many as 328 points at session highs.



# Economic & Market Overview

- **Fixed Income Rates Inch Higher.** The bond market environment remains challenging for income-oriented investors with yields still near historic lows. However, government bonds serve a useful role in portfolios as a risk control during periods of heightened market bearishness. Interest rates on the 10-year Treasury Bond have climbed back above 1.6% as the market reacts to a second Chairman Powell term.
- **Bonds Showing Stress of Rising Rates.** Bonds across the quality and maturity spectrum have posted negative total returns this year except for TIPS, high yield bonds, and bank loan securities. TIPS have responded to higher inflation readings, high yield bonds reflect low expectations for bond defaults, and bank loan prices reflect a bit of both.
- **Sentiment Remains Strong for Corporate Credit.** With corporate profits strong, investors are expecting bond defaults, even for junk bonds to remain low and for credit quality to improve as debt is paid off from cash hoards. Despite rates inching higher corporate bonds posted a nice gain in the past month.



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