

July 31, 2022

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

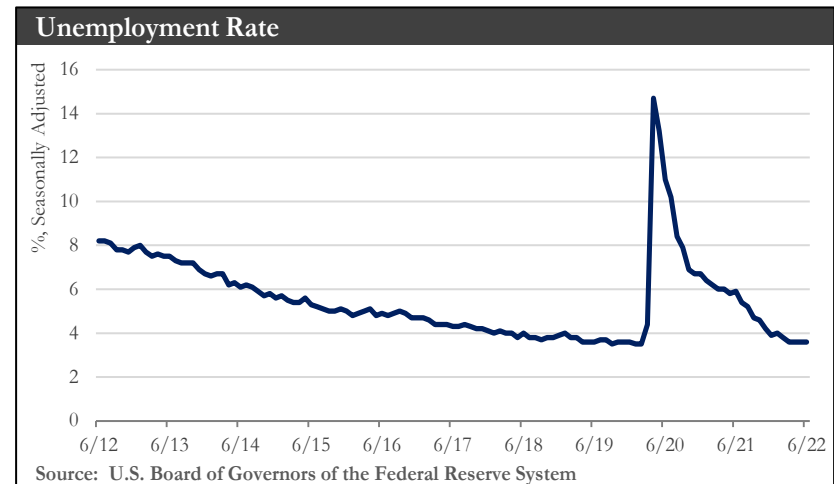
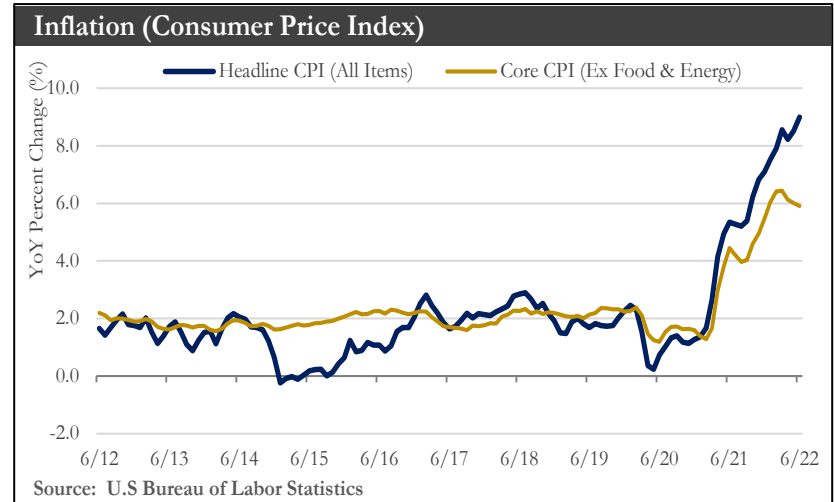
# Capital Market Performance

Index Performance as of: 7/31/2022															
	<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	6.81	-0.70	-7.23	-1.65	8.90	8.15	11.03	MSCI EAFE	4.98	-4.04	-15.56	-14.33	3.16	2.62	5.79
3000	9.38	0.10	-13.70	-7.36	12.55	12.18	13.48	MSCI EM	-0.25	-6.46	-17.83	-20.10	0.90	0.95	2.84
3000 Growth	11.95	0.83	-19.56	-12.66	15.30	15.66	15.59	MSCI Frontier Markets	1.24	-10.27	-19.60	-16.04	0.15	1.48	5.09
1000 Value	6.63	-0.79	-7.08	-1.43	8.88	8.27	11.10	MSCI ACWI	6.98	-1.92	-14.61	-10.49	8.52	7.86	9.35
1000	9.31	0.01	-13.58	-6.87	12.91	12.56	13.69	MSCI ACWI Ex USA	3.42	-4.80	-15.63	-15.27	2.91	2.45	5.04
1000 Growth	12.00	0.73	-19.44	-11.93	16.05	16.30	15.95	MSCI AC Asia Ex Japan	-1.21	-5.21	-17.29	-19.95	2.30	1.78	5.10
Mid Cap Value	8.61	-1.48	-9.02	-2.85	9.38	7.76	11.47	<b>International Equity - Country Region</b>							
Mid Cap	9.87	-1.02	-13.83	-9.83	9.47	9.70	12.32	MSCI Brazil	5.53	-7.55	8.43	-13.78	-8.31	-0.20	-1.61
Mid Cap Growth	12.24	-0.17	-22.56	-21.77	7.51	11.06	12.81	MSCI BRIC	-3.58	-3.33	-20.00	-25.32	-3.11	-0.16	2.57
2000 Value	9.68	0.74	-9.30	-4.77	9.44	6.71	10.18	MSCI China	-9.50	-2.42	-19.69	-28.36	-3.65	-1.57	4.29
2000	10.44	1.51	-15.43	-14.30	7.51	7.12	10.60	MSCI Europe	4.95	-4.78	-16.87	-15.11	3.55	2.55	5.83
2000 Growth	11.20	2.34	-21.55	-23.19	4.71	6.87	10.66	MSCI India	9.32	-3.99	-7.35	3.19	12.51	7.57	9.15
								MSCI Japan	5.70	-1.05	-15.72	-14.29	2.85	2.49	6.43
<b>Standard &amp; Poors</b>								MSCI EM Latin America	4.26	-6.39	3.67	-8.80	-5.07	-1.33	-1.90
S&P 500	9.22	0.39	-12.58	-4.64	13.36	12.83	13.80	<b>Fixed Income-Taxable</b>							
Consumer Disc	18.94	0.95	-20.10	-10.30	11.29	13.21	15.54	Barclays U.S. Aggregate	2.44	1.49	-8.16	-9.12	-0.21	1.28	1.65
Consumer Staples	3.30	-3.94	-2.47	7.44	11.15	9.37	10.73	Barclays US Aggregate 1-3	0.53	0.45	-2.61	-3.24	0.40	1.07	1.01
Energy	9.72	5.68	44.66	67.50	14.29	8.47	4.83	Barclays US Aggregate 3-5	1.60	1.44	-4.76	-5.95	0.20	1.19	1.47
Financials	7.21	-1.87	-12.86	-5.98	8.36	8.36	13.25	Barclays US Aggregate 5-7	2.43	2.09	-6.06	-7.39	0.26	1.46	1.71
Health Care	3.32	2.02	-5.29	1.82	15.47	12.72	15.23	ICE BofAML US 3M Trsy Bill	0.05	0.14	0.20	0.21	0.58	1.10	0.64
Industrials	9.50	0.92	-8.88	-6.03	9.07	8.72	12.29	Barclays U.S. Gov't	1.58	0.88	-7.60	-8.61	-0.29	1.04	1.09
Information Technology	13.54	2.07	-17.01	-5.51	22.49	22.27	20.09	Barclays U.S. Credit	3.04	1.24	-11.19	-12.16	-0.18	1.70	2.48
Materials	6.14	-7.51	-12.85	-5.06	12.61	9.71	10.70	Barclays High Yield Corp.	5.90	-0.98	-9.12	-8.02	1.95	3.06	4.87
Real Estate	8.54	-4.02	-13.20	-1.64	9.34	10.03	9.76	Barclays TIPS	4.35	0.05	-4.96	-3.58	4.39	4.00	1.97
Communication Services	3.71	-2.55	-27.57	-28.98	5.47	5.61	5.71	Barclays Global Aggregate	2.13	-0.88	-12.08	-14.59	-2.44	-0.47	0.20
Utilities	5.50	4.58	4.92	15.59	11.07	10.43	10.79	Barclays Gbl Agg Ex USD	1.92	-2.66	-14.88	-18.47	-4.24	-1.90	-0.97
								JPM EMBI Global Div	2.89	-3.48	-18.01	-19.29	-4.70	-0.79	2.13
<b>Other U.S. Equity</b>								<b>Fixed Income-Tax Exempt</b>							
Dow Jones Industrial Avg.	6.82	0.13	-8.60	-4.14	9.22	10.86	12.31	Barclays Municipal	2.64	2.46	-6.58	-6.93	0.43	1.88	2.49
NASDAQ 100	12.60	0.96	-20.30	-12.81	19.14	18.20	18.54	Barclays Municipal 3 Yr	1.14	2.27	-2.35	-2.69	0.52	1.13	1.19
								Barclays Municipal 5 Yr	1.82	3.08	-3.79	-4.25	0.48	1.39	1.72
<b>Alternative Investments</b>								Barclays Municipal 7 Yr	2.41	3.41	-4.57	-5.18	0.57	1.72	2.23
Alerian MLP	12.49	4.27	23.78	25.28	4.14	1.83	1.43	Barclays HY Muni	3.73	1.52	-8.48	-8.17	2.18	4.26	4.57
Bloomberg Commodity	4.26	-5.55	23.49	27.25	16.20	8.82	-1.03								
FTSE NAREIT Equity REIT	9.06	-5.32	-12.97	-2.48	6.60	6.89	8.12								
S&P Global Natural Res.	3.52	-8.60	2.10	6.95	10.75	8.42	4.93								
S&P N. Amer Natural Res.	7.44	-0.62	24.49	38.61	14.02	7.57	3.81								

Source: Morningstar Direct

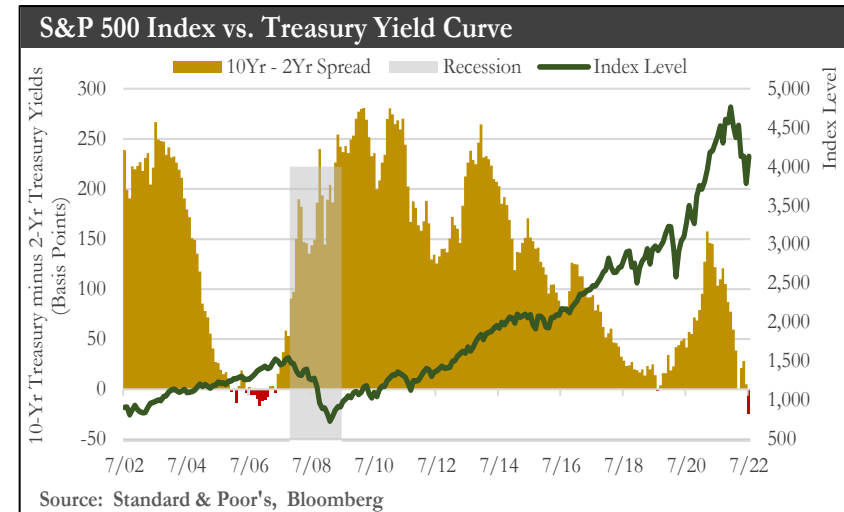
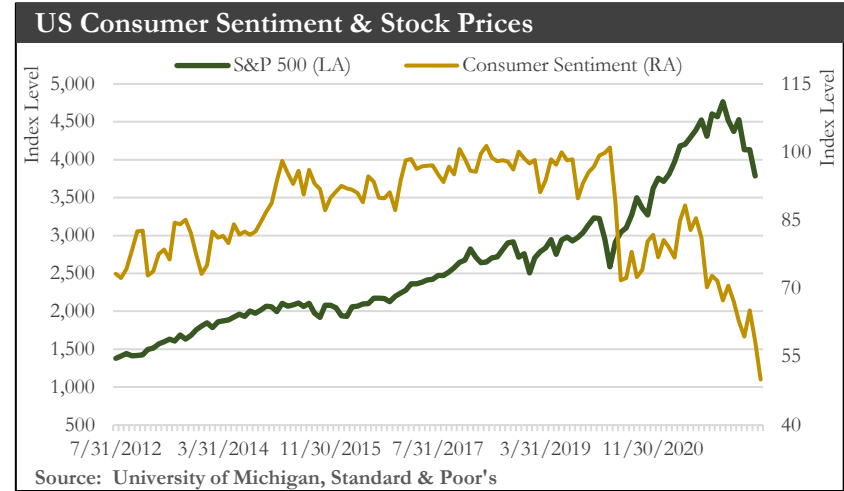
# Economic & Market Overview

- **Economic Clouds Looming.** Aggressive monetary tightening and reduced consumer purchasing power are weighing on economic activity, raising the probability of recession in many major economies. Over the past month, signals of a slowdown in the U.S. economy have mounted. Our forecast for next year is for a mild recession starting in early 2023.
- **Labor Market Remains Robust.** The near-term momentum in the labor market has remained intact. Employment growth has been broad-based across industries. There are some signs of cooling, however. Wage growth has slowed, initial jobless claims have ticked up, and job openings have peaked with employment levels finally catching up with demand. Hiring should slow in the back half of 2022.
- **Recession Already?** No, says official arbiter of U.S. recessions, the National Bureau of Economic Research. The six-monthly indicators that determine a recession are mostly up or flat for the year and are not flashing red.



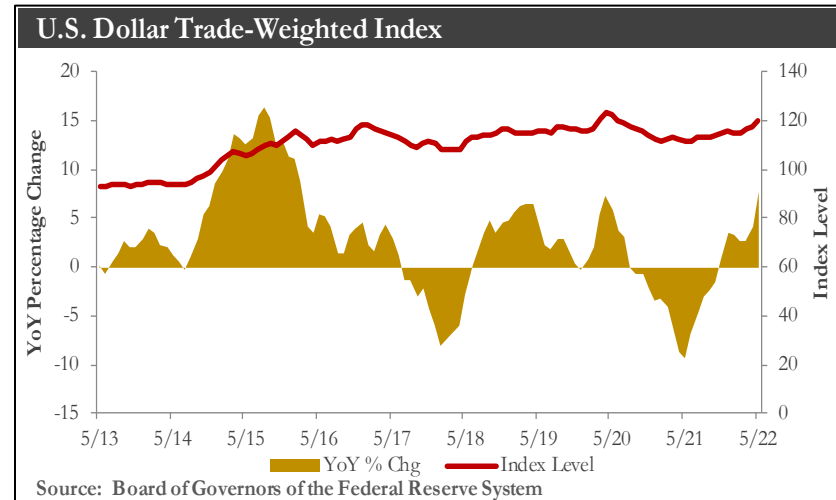
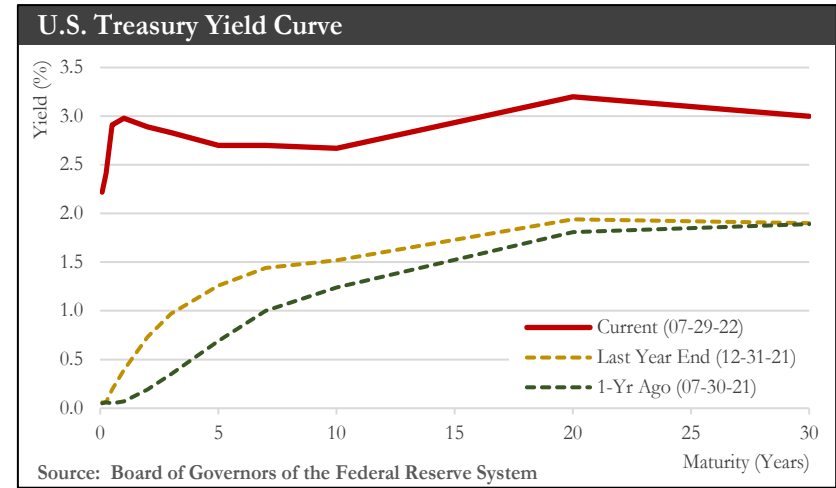
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- PE Ratios Tick Up in July.** As of August 1, 2022, the S&P 500 was trading at 20.2 times trailing earnings and 17.5 times forward earnings. One-year ago, the index was trading at 26.3 times trailing earnings (source: Bloomberg).
- Style Trend Backing Up?** Seven months into 2022, the broad U.S. stock market index, the Russell 3000, was barely out of Bear Market territory down 19.6% YTD. The reversion to the mean style trade, underway for months, narrowed in July. So far in 2022 the Russell 1000 Value (down 7.1%) has outpaced the Russell 1000 Growth by 1236 bps which has declined by 19.4%.
- Downside Leaders Bounce Back.** The tech heavy NASDAQ posted a 12.6% return in July recovering about 1/3<sup>rd</sup> of its YTD loss. After seven months of 2022, the NASDAQ is down 20.3%. Is this current improvement in performance a bear market rally or a signal that the worst is over for the market decline?



# Economic & Market Overview

- **Bond Rates Signaling Long Term Inflation and Economy to Slip.** The 10-year U.S. Treasury yield has fallen to 2.6% in recent weeks. A fair interpretation of this behavior would suggest the bond market appears to be saying that longer-term growth and inflation prospects will come down from today's levels with the Fed's aggressive rate hikes and recession on the horizon.
- **Shifting Gears.** Corporate bond defaults rates will likely return towards their 3.6% historical average from their 0.40% current rate as the economy slows and slips into recession in the next year. Underlying credit quality in bond portfolios is likely to be an important attribute in resisting downward price pressure on fixed income vehicles.
- **Reversal in One-Way Capital Flows in Sight?** Rising U.S. rates will keep the U.S. dollar strong attracting foreign investors for now. Should rates decline in the second half of 2023 if the Fed decides to support a weaker economy, the U.S. dollar should start to weaken in early 2023 improving international investment sentiment.



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