

October 31, 2022

MATRIX

PRIVATE
CAPITAL
GROUP

Economic & Market Review

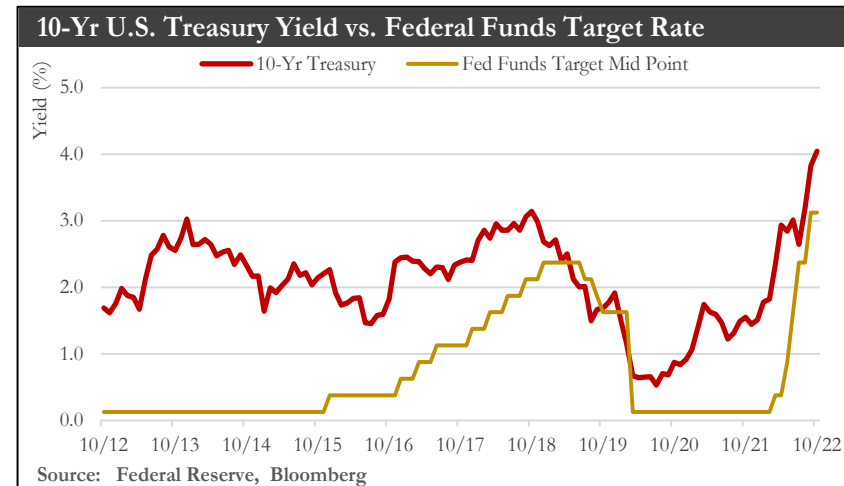
Capital Market Performance

Index Performance as of: 10/31/2022															
	<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>
Russell								International Equity - Broad Market							
3000 Value	10.39	-2.39	-9.45	-7.25	7.35	7.07	10.22	MSCI EAFE	5.38	-9.02	-23.17	-23.01	-1.27	-0.09	4.13
3000	8.20	-5.50	-18.44	-16.53	9.78	9.87	12.46	MSCI EM	-3.10	-14.11	-29.42	-31.04	-4.41	-3.09	0.79
3000 Growth	6.07	-8.45	-26.36	-24.69	11.31	12.07	14.37	MSCI Frontier Markets	-4.31	-11.60	-28.93	-31.21	-2.99	-2.35	3.24
1000 Value	10.25	-2.41	-9.32	-7.00	7.31	7.21	10.30	MSCI ACWI	6.03	-7.65	-21.14	-19.97	4.84	5.24	7.98
1000	8.02	-5.74	-18.54	-16.39	9.98	10.20	12.66	MSCI ACWI Ex USA	2.99	-10.28	-24.31	-24.74	-1.68	-0.60	3.27
1000 Growth	5.84	-8.90	-26.61	-24.61	11.74	12.59	14.69	MSCI AC Asia Ex Japan	-6.10	-18.10	-32.26	-34.01	-4.80	-3.34	2.41
Mid Cap Value	9.45	-4.19	-12.83	-10.18	7.49	6.49	10.42	International Equity - Country Region							
Mid Cap	8.88	-4.31	-17.55	-17.18	7.84	7.95	11.36	MSCI Brazil	8.62	11.73	21.15	24.58	-4.53	0.63	-0.74
Mid Cap Growth	7.86	-4.53	-26.06	-28.96	6.27	8.66	11.95	MSCI BRIC	-8.35	-17.02	-33.61	-37.81	-9.20	-5.27	0.04
2000 Value	12.59	-2.08	-11.19	-10.73	8.08	5.32	9.37	MSCI China	-16.81	-28.76	-42.79	-47.92	-13.84	-9.68	-0.06
2000	11.01	-1.68	-16.86	-18.55	7.05	5.56	9.93	MSCI Europe	7.17	-8.25	-23.73	-22.90	-0.48	0.04	4.02
2000 Growth	9.49	-1.29	-22.57	-26.04	5.11	5.17	10.15	MSCI India	2.56	-0.09	-7.43	-6.89	10.88	7.00	7.96
Standard & Poors								MSCI Japan	2.96	-10.06	-24.20	-24.68	-3.23	-0.94	5.34
S&P 500	8.10	-5.86	-17.70	-14.62	10.21	10.44	12.79	MSCI EM Latin America	9.66	8.97	12.97	16.13	-1.81	-0.10	-1.34
Consumer Disc	0.23	-12.06	-29.73	-28.55	6.66	10.10	13.39	Fixed Income-Taxable							
Consumer Staples	9.04	-1.43	-3.86	4.87	9.40	9.79	10.60	Barclays U.S. Aggregate	-1.30	-8.23	-15.72	-15.69	-3.77	-0.54	0.74
Energy	24.96	16.57	68.62	65.02	23.13	11.07	6.06	Barclays US Aggregate 1-3	-0.13	-2.15	-4.70	-4.93	-0.68	0.62	0.77
Financials	11.99	1.21	-11.81	-14.06	8.09	7.26	12.43	Barclays US Aggregate 3-5	-0.37	-5.18	-9.69	-9.87	-2.07	0.10	0.90
Health Care	9.71	0.69	-4.64	0.81	14.08	12.41	14.77	Barclays US Aggregate 5-7	-0.72	-7.61	-13.21	-13.30	-2.89	-0.20	0.84
Industrials	13.92	-0.88	-9.68	-8.20	8.25	7.60	11.90	ICE BofAML US 3M Trsy Bill	0.16	0.57	0.76	0.78	0.58	1.16	0.70
Information Technology	7.82	-10.93	-26.08	-20.27	16.36	16.75	18.80	Barclays U.S. Gov't	-1.37	-7.08	-14.14	-13.95	-3.52	-0.45	0.40
Materials	9.00	-4.62	-16.88	-11.03	10.74	6.92	9.73	Barclays U.S. Credit	-1.03	-8.70	-18.92	-18.92	-4.13	-0.32	1.36
Real Estate	2.05	-16.35	-27.39	-20.66	1.12	6.06	7.96	Barclays High Yield Corp.	2.60	-3.75	-12.53	-11.76	0.31	2.01	4.12
Communication Services	0.14	-15.72	-38.96	-40.66	-0.99	3.61	4.23	Barclays TIPS	1.24	-7.97	-12.54	-11.48	1.12	2.16	1.02
Utilities	2.05	-9.06	-4.59	2.88	4.63	7.43	9.92	Barclays Global Aggregate	-0.69	-9.51	-20.44	-20.80	-6.16	-2.38	-0.98
Other U.S. Equity								Barclays Gbl Agg Ex USD	-0.14	-10.69	-23.98	-24.60	-8.11	-3.91	-2.36
Dow Jones Industrial Avg.	14.07	0.20	-8.42	-6.75	8.82	9.33	12.19	JPM EMBI Global Div	0.15	-7.11	-23.83	-24.20	-7.19	-2.66	1.01
NASDAQ 100	4.01	-11.72	-29.64	-27.48	13.07	13.84	17.01	Fixed Income-Tax Exempt							
Alternative Investments								Barclays Municipal	-0.83	-6.73	-12.86	-11.99	-2.18	0.37	1.68
Alerian MLP	14.32	9.81	35.92	30.21	11.59	5.55	1.96	Barclays Municipal 3 Yr	-0.03	-3.12	-5.40	-5.35	-0.60	0.48	0.85
Bloomberg Commodity	1.99	-6.20	15.83	11.16	13.44	6.92	-1.56	Barclays Municipal 5 Yr	-0.22	-4.66	-8.27	-7.97	-1.18	0.44	1.18
FTSE NAREIT Equity REIT	4.89	-13.38	-24.61	-18.52	-0.92	4.12	6.86	Barclays Municipal 7 Yr	-0.41	-5.34	-9.67	-9.12	-1.39	0.61	1.56
S&P Global Natural Res.	10.08	1.46	3.59	6.08	12.01	7.29	4.46	Barclays HY Muni	-2.05	-10.13	-17.75	-16.46	-2.18	1.83	3.13
S&P N. Amer Natural Res.	18.78	8.17	34.66	33.72	18.43	8.76	3.97								

Source: Morningstar Direct

Economic & Market Overview

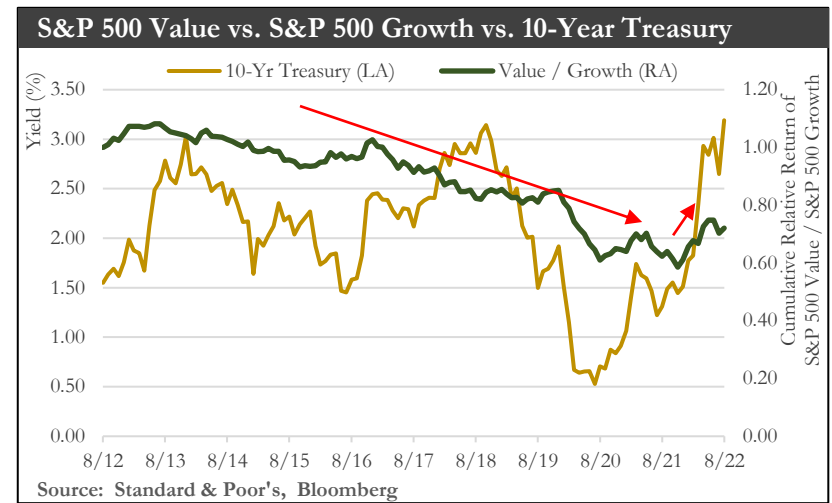
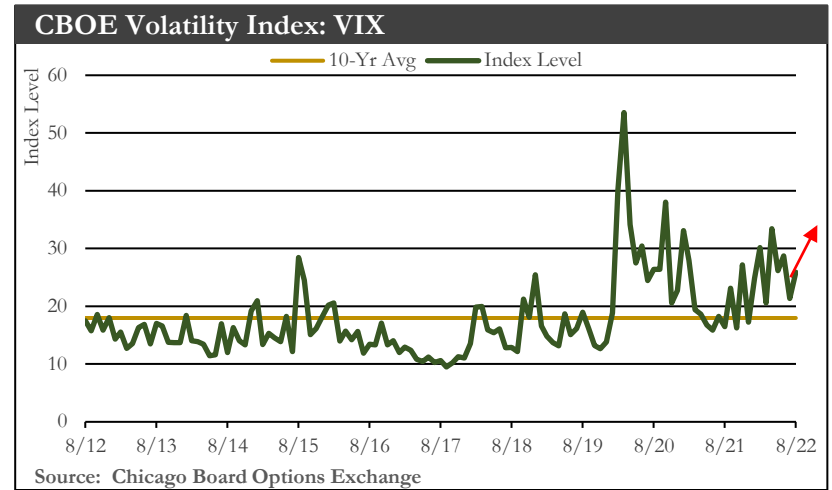
- **Rebound.** After having declined in each of the first two quarters of the year, real GDP rebounded to an above trend pace in the third quarter. The U.S. economy grew at a 2.6% annual rate in the third quarter despite a slowdown in consumer spending during the summer amid high inflation and rising interest rates.
- **A Determined Fed.** The Fed raised the federal funds rate by another 75 basis points to a 3.75% to 4.00% range reaffirming a continuation of its balance sheet runoff. The Fed's statement suggests a more measured pace of rates hikes from here. They have now raised rates by 0.75 points at four consecutive meetings. These increases will take time to work through the economy, and the Fed is now stating that it will take the cumulative effect of past tightening into account when it decides future moves.
- **Grinding Slower.** The October ISM manufacturing index declined from 50.7 to 50.2 in September. Readings above 50 indicate expansion and below 50 contraction. Beneath the headline figure the report details that manufacturing is slowing rapidly.



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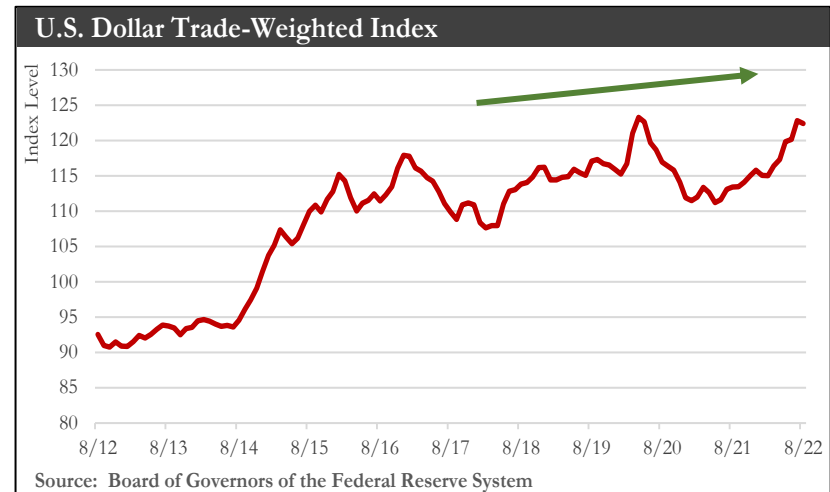
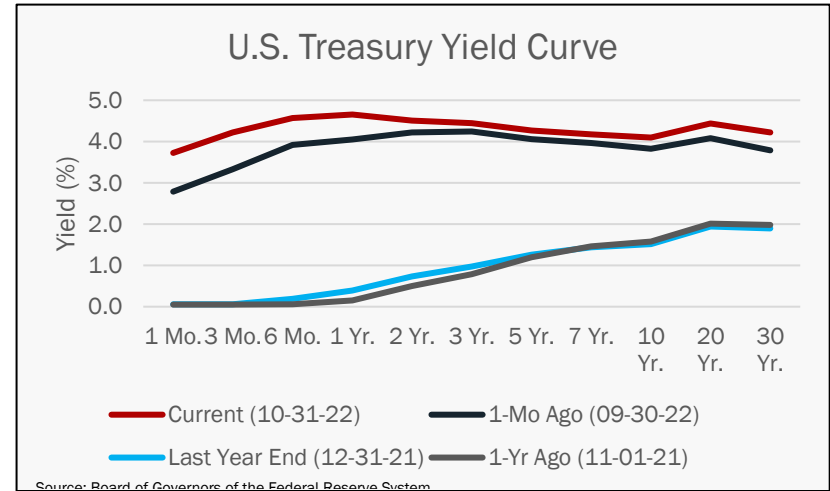
Equities

- PE Ratios Up October.** As of October 31, 2022, according to Bloomberg, the price to earnings multiple ratio used to value the S&P 500 increased to 16.5 times forward earnings. This figure is in line with the historical long-term average. One year ago, the forward P/E was 21.7.
- Market Volatility Slid in October.** After an early month rise, market volatility declined for the rest of October. The VIX index is considered a gauge of short-term investor fear and greed. The historical VIX average is about 20 and this past month it began around 31.0, dipped to 28.5 early in the month, and then shot up to 34 a little more than a week into the month. After that, VIX slid to about 26 and during that time the market climbed. Stock prices typically struggle when the VIX (or investor fear) rises rapidly.
- Style Mean Reversion Intact.** As of October 31st, the broad U.S. stock market index as measured by the Russell 3000, declined by 18.4% YTD after a few weeks of improved performance. The reversion to the mean style trade continued with the Russell 1000 Value now down only 9.3% while the Russell 1000 Growth is down 26.6% YTD.



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- **Bond Rates... Lock in at Higher Rates?** The 10-year U.S. Treasury yield has recently traded as high as 4.3%. The bond market for U.S. Treasuries has broken out from its tight trading range around 3% as investors are convinced the Fed will continue raising rates until they see a meaningful break in inflation. Are we nearing a peak in long term rates that is forecasting slower economic growth and less inflation ahead?
- **Yield Curve Still Inverted.** The yield on the two-year U.S. Treasury has climbed to 4.4%. This flight to safety signals both risk aversion and concerns about corporate earnings. Yield curve inversions, where rates on shorter-term bonds, yield more than longer-term bonds, are considered a sign of an upcoming recession.
- **U.S Dollar Should Continue to Run...for Now** Given the outlook for a U.S. recession and a quicker end to the Fed tightening cycle at a higher rate than previously expected, the outlook for the U.S. dollar has changed. This path suggests seeing a peak in the U.S. dollar by Q1-2023 and a gradual softening thereafter.



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