

January 31, 2023

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

# Capital Market Performance

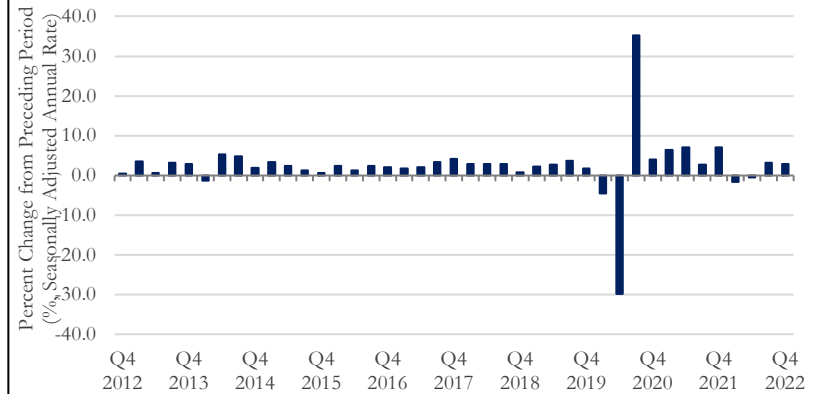
Index Performance as of: 1/31/2023															
	<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
<b>Russell</b>								<b>International Equity - Broad Market</b>							
3000 Value	5.43	7.14	5.43	-0.43	8.62	6.86	10.05	MSCI EAFE	8.10	20.37	8.10	-2.83	4.25	2.13	4.95
3000	6.89	5.88	6.89	-8.25	9.51	9.12	12.28	MSCI EM	7.90	22.16	7.90	-12.13	1.40	-1.48	2.07
3000 Growth	8.44	4.60	8.44	-15.49	9.52	10.78	14.18	MSCI Frontier Markets	4.50	8.31	4.50	-20.22	-2.20	-2.70	2.94
1000 Value	5.18	7.25	5.18	-0.43	8.54	6.94	10.15	MSCI ACWI	7.17	10.94	7.17	-8.00	6.82	5.53	8.24
1000	6.70	5.94	6.70	-8.55	9.65	9.38	12.51	MSCI ACWI Ex USA	8.11	19.97	8.11	-5.72	3.64	1.36	4.20
1000 Growth	8.33	4.60	8.33	-16.03	9.89	11.22	14.53	MSCI AC Asia Ex Japan	8.21	28.32	8.21	-10.30	2.71	-0.52	4.21
Mid Cap Value	8.08	9.07	8.08	-0.69	9.31	6.89	10.17	<b>International Equity - Country Region</b>							
Mid Cap	8.30	8.61	8.30	-3.33	9.02	8.02	11.11	MSCI Brazil	6.94	0.76	6.94	8.01	-4.08	-2.56	-1.38
Mid Cap Growth	8.73	7.76	8.73	-8.53	6.46	8.26	11.67	MSCI BRIC	7.19	27.37	7.19	-13.95	-2.62	-3.38	1.51
2000 Value	9.54	5.48	9.54	-0.52	9.94	5.78	8.84	MSCI China	11.78	52.53	11.78	-10.09	-2.42	-4.66	3.15
2000	9.75	5.02	9.75	-3.38	7.51	5.54	9.36	MSCI Europe	8.67	21.02	8.67	-3.27	5.09	2.49	4.86
2000 Growth	9.95	4.56	9.95	-6.50	4.26	4.69	9.54	MSCI India	-2.99	-3.54	-2.99	-9.48	9.50	4.66	6.58
<b>Standard &amp; Poors</b>								MSCI Japan	6.21	16.80	6.21	-6.74	1.48	0.54	5.81
S&P 500	6.28	5.76	6.28	-8.22	9.88	9.54	12.68	MSCI EM Latin America	9.87	5.94	9.87	11.46	0.15	-1.66	-1.59
Consumer Disc	15.02	3.08	15.02	-19.82	6.08	7.23	12.69	<b>Fixed Income-Taxable</b>							
Consumer Staples	-0.89	2.45	-0.89	-0.13	8.84	8.29	10.30	Barclays U.S. Aggregate	3.08	6.39	3.08	-8.37	-2.35	0.86	1.43
Energy	2.81	1.04	2.81	43.08	25.24	9.04	5.48	Barclays US Aggregate 1-3	0.82	1.85	0.82	-2.24	-0.33	1.08	0.94
Financials	6.87	8.41	6.87	-4.44	9.22	6.50	12.25	Barclays US Aggregate 3-5	1.89	3.98	1.89	-4.86	-1.20	1.13	1.31
Health Care	-1.87	0.90	-1.87	3.19	12.27	10.68	14.01	Barclays US Aggregate 5-7	2.78	5.66	2.78	-6.81	-1.54	1.15	1.43
Industrials	3.72	8.55	3.72	2.90	9.82	7.03	11.74	ICE BofAML US 3M Trsy Bill	0.31	1.00	0.31	1.78	0.78	1.30	0.80
Information Technology	9.32	6.20	9.32	-15.71	13.48	16.17	19.22	Barclays U.S. Gov't	2.48	4.66	2.48	-8.44	-2.55	0.70	0.93
Materials	8.98	15.02	8.98	2.63	16.12	8.44	10.33	Barclays U.S. Credit	3.81	8.50	3.81	-9.12	-2.39	1.36	2.29
Real Estate	9.90	11.82	9.90	-11.28	4.61	8.35	8.49	Barclays High Yield Corp.	3.81	5.40	3.81	-5.22	1.29	2.96	4.28
Communication Services	14.51	12.76	14.51	-26.63	0.83	3.61	5.35	Barclays TIPS	1.83	2.64	1.83	-8.38	1.12	2.66	1.37
Utilities	-2.00	4.32	-2.00	2.90	3.34	9.82	10.33	Barclays Global Aggregate	3.28	8.73	3.28	-11.70	-3.85	-1.25	-0.03
<b>Other U.S. Equity</b>								Barclays Gbl Agg Ex USD	3.48	10.68	3.48	-14.19	-5.10	-2.99	-1.20
Dow Jones Industrial Avg.	2.93	4.68	2.93	-0.93	8.68	7.77	11.98	JPM EMBI Global Div	3.17	11.36	3.17	-12.70	-4.77	-0.69	2.04
NASDAQ 100	10.67	6.36	10.67	-18.24	11.30	12.76	17.32	<b>Fixed Income-Tax Exempt</b>							
<b>Alternative Investments</b>								Barclays Municipal	2.87	7.99	2.87	-3.25	-0.42	2.07	2.38
Alerian MLP	6.61	2.68	6.61	25.68	13.90	4.24	1.43	Barclays Municipal 3 Yr	1.38	3.53	1.38	-0.42	0.19	1.30	1.18
Bloomberg Commodity	-0.49	-0.27	-0.49	6.21	15.36	5.92	-1.57	Barclays Municipal 5 Yr	2.02	5.36	2.02	-0.95	-0.02	1.68	1.68
FTSE NAREIT Equity REIT	10.67	11.04	10.67	-10.15	2.91	6.71	7.22	Barclays Municipal 7 Yr	2.41	6.61	2.41	-1.01	-0.02	2.14	2.19
S&P Global Natural Res.	7.54	14.52	7.54	14.27	17.41	7.81	5.27	Barclays HY Muni	4.44	10.34	4.44	-6.63	0.04	3.73	3.82
S&P N. Amer Natural Res.	4.98	4.52	4.98	27.42	20.25	7.67	3.95								

Source: Morningstar Direct

# Economic & Market Overview

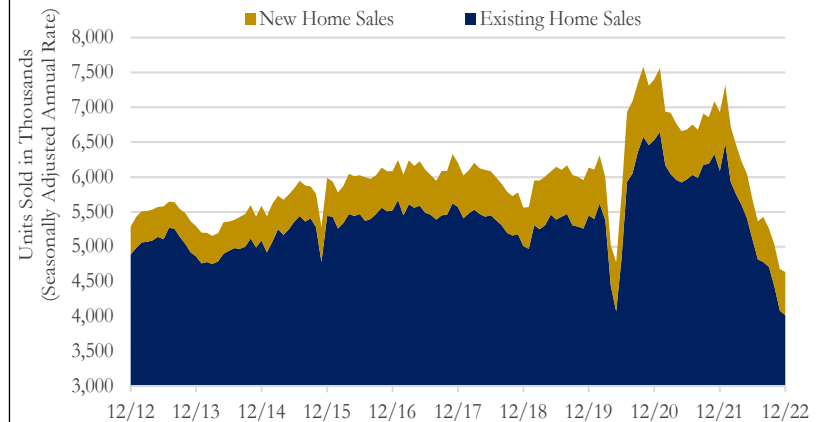
- **Growing But Slowing.** The economy grew at 2.9% in the 4Q of 2022 and entered this year with less momentum as rising interest rates and still-high inflation weighed on demand. The continued strength in the labor market stands in sharp contrast to other signs demonstrating evidence of a slowing economy. A mild recession would not be a surprise in the second half of 2023.
- **Growing Caution.** Consumers cut back on spending at the height of the holiday shopping season. Retail sales declined in December from November (which was also revised downward from October retail sales). Ten of thirteen retail sales categories fell in December. Consumers are becoming increasingly more cautious in allocating their income and pandemic savings.
- **Difficult Real Estate Market.** New and existing home sales fell in December from November sales results. For the latter, sales fell another 1.5% to 2010 levels down 38% for 2022. New home sales fell another 1.4%. Rising mortgage rates should continue to weigh on homebuilders as the Fed remains resolute in their attempt to return inflation to 2%.

### Real GDP Growth: U.S.



Source: U.S. Bureau of Economic Analysis

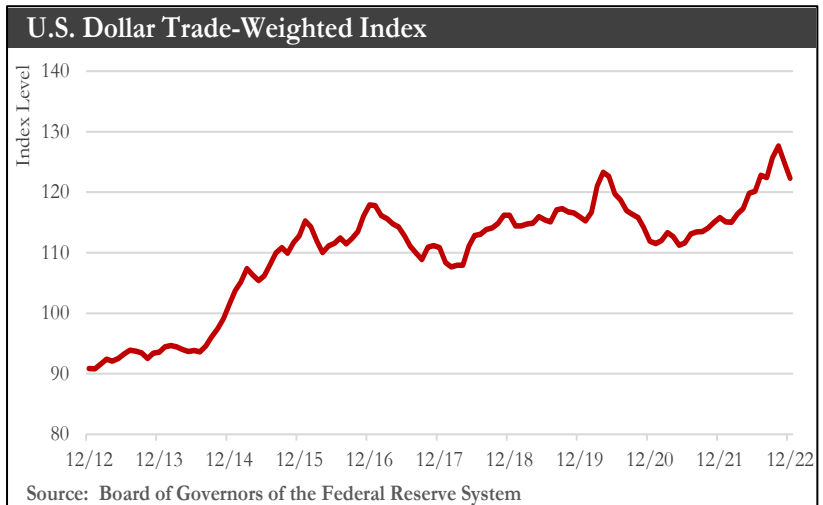
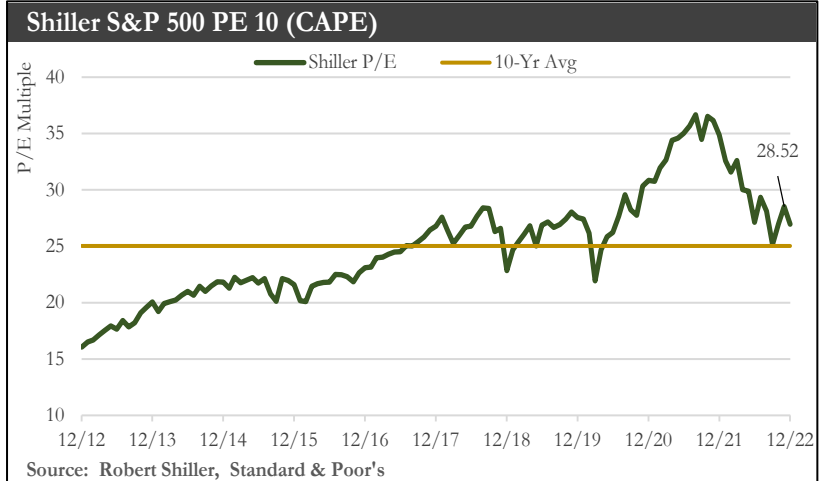
### Home Sales: New and Existing



Source: U.S. Bureau of the Census, National Association of Realtors

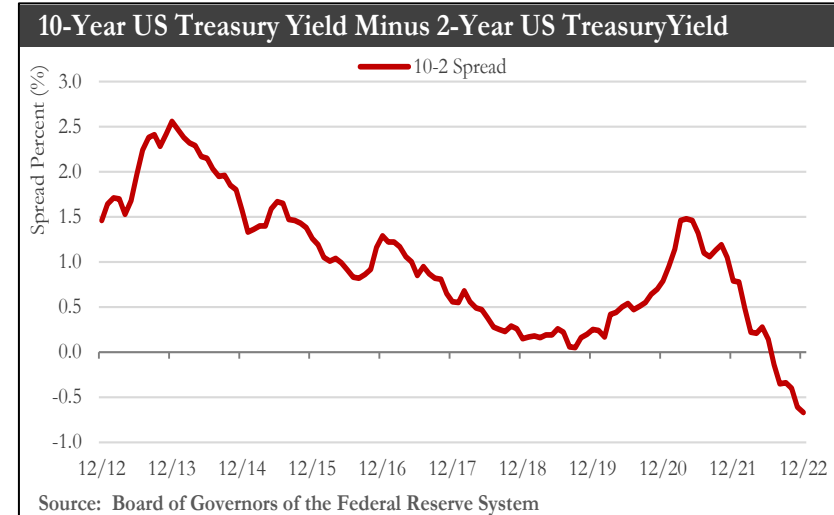
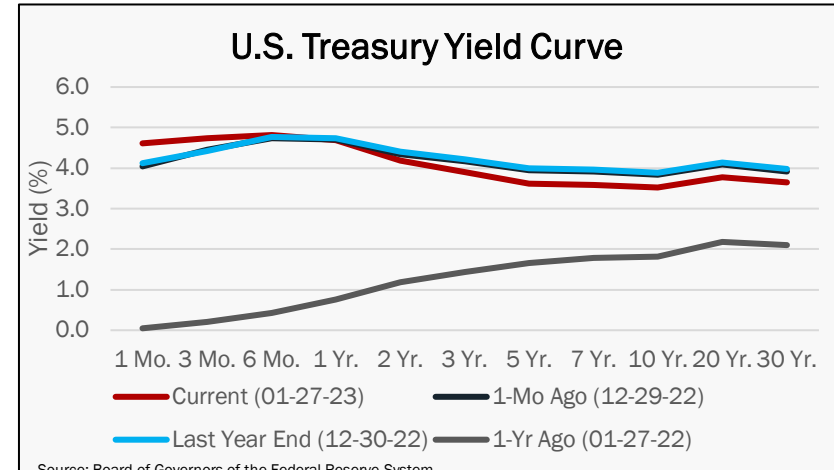
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- **Valuations on the Rise in the Early Days of the Year.** As of January 30, 2023, according to Bloomberg, the price to earnings multiple ratio, a measure used to value the S&P 500, rose to 18.7 from 18.0 times forward earnings just a few weeks ago. One year ago, the forward P/E was stretched at 21.0 times only to get severely compressed as 2022 progressed and stocks fell.
- **Market Volatility Stays Low, Stocks Rise.** Market volatility has stayed low and declined through January while stock returns globally got out of the blocks fast. The VIX (CBOE Volatility Index) declined through the month, a sign of short-term investor confidence. Stock prices typically struggle when the VIX (or investor fear) rises rapidly and tend to rise when VIX falls.
- **Markets Globally Off to a Fast Start.** As of 1/31/23, the broad U.S. stock market index as measured by the Russell 3000 was up 6.9%. While Growth stocks were running ahead of Value stocks 8.3% to 5.2%. Mid Cap, Small Cap, International Developed as well as Emerging Markets stocks were also off to a fast start in 2023. Recent weakness in the U.S. dollar has been a tailwind for international equities.



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- **Still Wait and See.** The 10-year U.S. Treasury yield has been trading in a 3.5% to 3.8% range for some weeks. This sideways movement suggests bond investors are still in a wait and see posture looking for more certainty about the future of interest rates, inflation, and the economy.
- **Yield Curve Remains Inverted...Signals Impending Recession.** The yield on the two-year U.S. Treasury stayed at 4.2% over the past 2 weeks. This flight to safety signals both investor risk aversion and concerns about the direction and depth of near-term corporate earnings declines. At the end of an economic cycle and before the next phase of economic growth begins, investors become more defensive and cautious.
- **Recession Warning Growing Stronger.** The inversion of the U.S. Treasury yield curve provides evidence that the economy is likely to slow in the months ahead which may well end in recession this year. Inversions are when shorter-term maturities yield more than longer-term maturities as the costs for businesses rise and are thought to indicate that bond investors lack confidence in the economy longer term.



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