

March 31, 2023

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

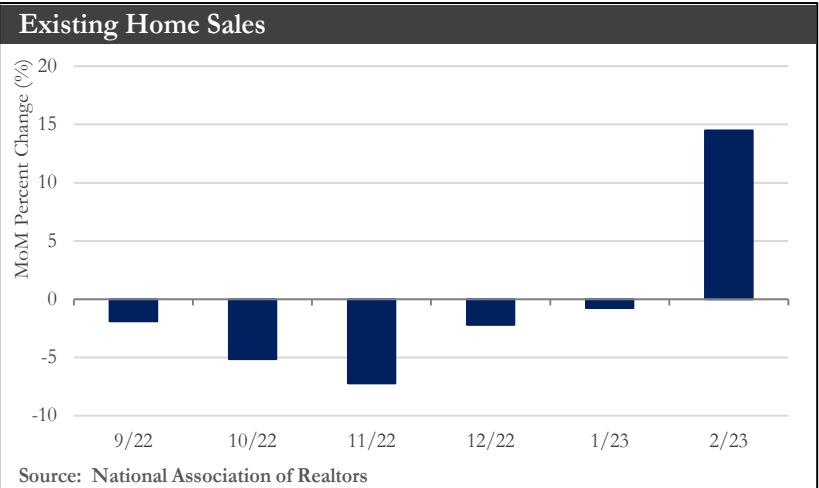
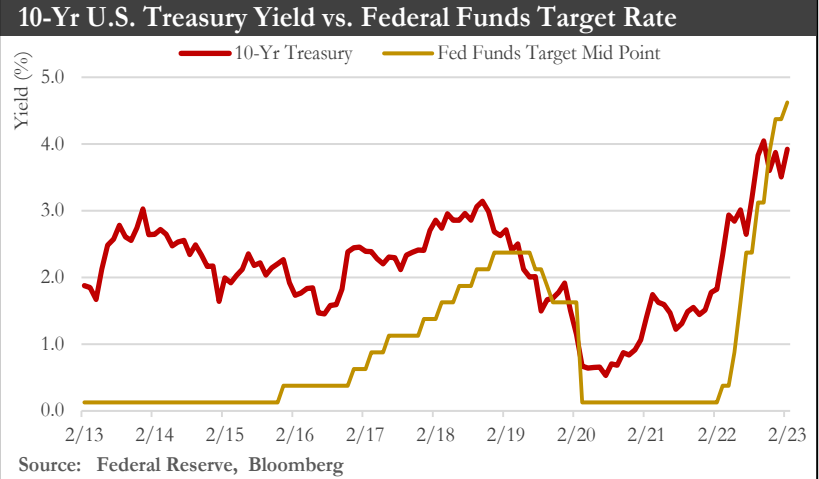
# Capital Market Performance

Index Performance as of: 2023-03-31																
	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year		1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year	
<b>Russell</b>								<b>International Equity - Broad Market</b>								
Russell 3000 Value	-0.87	0.89	0.89	-6.39	18.08	7.74	9.02	MSCI EAFE	2.61	8.65	8.65	-0.79	13.65	4.12	5.64	
Russell 3000	2.67	7.17	7.17	-8.61	18.46	10.93	11.78	MSCI Emerging Markets	3.04	3.97	3.97	-10.39	8.17	-0.55	2.39	
Russell 3000 Growth	6.25	13.85	13.85	-10.89	18.22	13.54	14.23	MSCI Frontier Emerging M	1.64	2.49	2.49	-16.33	7.82	-3.78	-0.14	
Russell 1000 Value	-0.46	0.99	0.99	-5.96	17.89	7.94	9.14	MSCI ACWI	3.15	7.44	7.44	-6.96	15.92	7.74	8.69	
Russell 1000	3.16	7.45	7.45	-8.42	18.53	11.35	12.05	MSCI ACWI Ex US	2.54	7.00	7.00	-4.55	12.38	3.03	4.76	
Russell 1000 Growth	6.83	14.36	14.36	-10.91	18.57	14.18	14.66	MSCI AC Asia Ex. Japan	3.47	4.34	4.34	-8.63	7.25	0.35	4.38	
Russell Midcap Value	-3.15	1.30	1.30	-9.25	20.66	6.95	8.86	<b>International Equity - Country Region</b>								
Russell Midcap	-1.53	4.04	4.04	-8.80	19.18	8.53	10.13	MSCI Brazil	-0.24	-3.09	-3.09	-18.28	14.48	-3.31	-1.59	
Russell Midcap Growth	1.38	9.13	9.13	-8.51	15.20	9.62	11.26	MSCI BRIC	3.17	0.87	0.87	-8.00	1.89	-2.58	1.89	
Russell 2000 Value	-7.18	-0.67	-0.67	-12.98	20.97	4.96	7.33	MSCI China	4.51	5.31	5.31	-4.37	-2.11	-3.74	3.74	
Russell 2000	-4.78	2.73	2.73	-11.63	17.48	5.19	8.16	MSCI Europe	0.05	8.79	8.79	4.46	16.09	7.58	7.73	
Russell 2000 Growth	-2.47	6.07	6.07	-10.63	13.34	4.79	8.62	MSCI India	0.57	-6.91	-6.91	-4.24	26.15	11.20	11.60	
								MSCI Japan	1.61	7.14	7.14	4.12	15.51	6.35	9.42	
<b>Standard &amp; Poors</b>								MSCI MM Latin Am	0.91	4.04	4.04	-10.47	18.68	-1.35	-1.46	
S&P 500 INDEX	3.67	7.48	7.48	-7.75	18.58	11.67	12.27	<b>Fixed Income-Taxable</b>								
Consumer Discretionary	3.12	16.05	16.05	-19.67	14.52	9.31	12.20	Bloomberg US Agg Total R	2.54	2.96	2.96	-4.78	-2.77	0.89	1.35	
Consumer Staples	4.23	0.83	0.83	1.22	14.69	11.17	9.61	Bloomberg US Agg 1-3 YR	1.45	1.51	1.51	0.24	-0.51	1.19	0.99	
Energy Sector	-0.21	-4.71	-4.71	13.39	48.24	9.89	4.40	Bloomberg US Agg 3-5 YR	2.27	2.23	2.23	-1.37	-1.65	1.18	1.29	
Financials Sector	-9.55	-5.56	-5.56	-14.28	18.03	5.80	10.32	Bloomberg US Agg 5-7 YR	2.59	2.78	2.78	-3.25	-1.99	1.16	1.35	
Health Care Sector	2.22	-4.31	-4.31	-3.70	15.41	12.28	12.84	Bloomberg U.S. T-Bills	0.40	1.09	1.09	2.60	0.91	1.38	0.84	
Industrials Sector	0.66	3.47	3.47	0.13	21.69	8.85	11.28	Bloomberg US Govt	2.87	2.98	2.98	-4.42	-4.12	0.74	0.90	
Information Technology	10.93	21.82	21.82	-4.55	24.34	20.22	20.24	Bloomberg US Credit	2.74	3.45	3.45	-5.31	-0.70	1.53	2.17	
Materials Sector	-1.04	4.29	4.29	-6.28	23.93	10.07	9.85	Bloomberg US Corporate I	1.07	3.57	3.57	-3.34	5.91	3.23	4.09	
Real Estate Sector	-1.40	1.88	1.88	-19.75	9.98	7.64	6.10	Bloomberg US TIPS	2.89	3.34	3.34	-6.06	1.75	2.93	1.46	
Communication Services	10.39	20.50	20.50	-17.76	9.44	6.74	5.18	Bloomberg Global-Agg	3.16	3.01	3.01	-8.07	-3.43	-1.35	0.05	
Utilities Sector	4.92	-3.24	-3.24	-6.21	10.35	9.76	9.39	Bloomberg Global Agg ex-I	3.73	3.06	3.06	-10.72	-4.13	-3.19	-1.01	
								JPMorgan EMBIs	0.96	1.86	1.86	-6.92	-0.02	-0.59	2.01	
<b>Other U.S. Equity</b>								<b>Fixed Income-Tax Exempt</b>								
Dow Jones Industrial Avg.	2.08	0.93	0.93	-1.98	17.31	9.43	11.14	Bloomberg Municipal	2.22	2.78	2.78	0.26	0.35	2.01	2.38	
NASDAQ 100 Stock	9.54	20.77	20.77	-10.35	20.00	16.63	18.01	Bloomberg Muni 3 YR	1.55	1.35	1.35	1.52	0.53	1.29	1.14	
								Bloomberg Muni 5 YR	1.89	1.93	1.93	1.75	0.70	1.72	1.63	
<b>Alternative Investments</b>								Bloomberg Muni 7 YR	2.00	2.30	2.30	2.01	0.82	2.17	2.13	
Alerian MLP	-1.18	4.03	4.03	14.38	46.69	7.42	0.49	Bloomberg Muni HY	1.55	2.73	2.73	-4.49	2.72	3.05	3.56	
Bloomberg Commodity	-0.21	-5.36	-5.36	-12.49	20.82	5.51	-1.63									
FTSE Nareit Equity REITs	-2.54	2.68	2.68	-19.22	12.08	6.32	5.94									
S&P Global Nat Res	-1.06	0.57	0.57	-5.01	27.73	7.96	5.12									
S&P N.Amer Nat Res	-0.08	-2.80	-2.80	0.72	38.08	8.30	3.09									

Source: Bloomberg

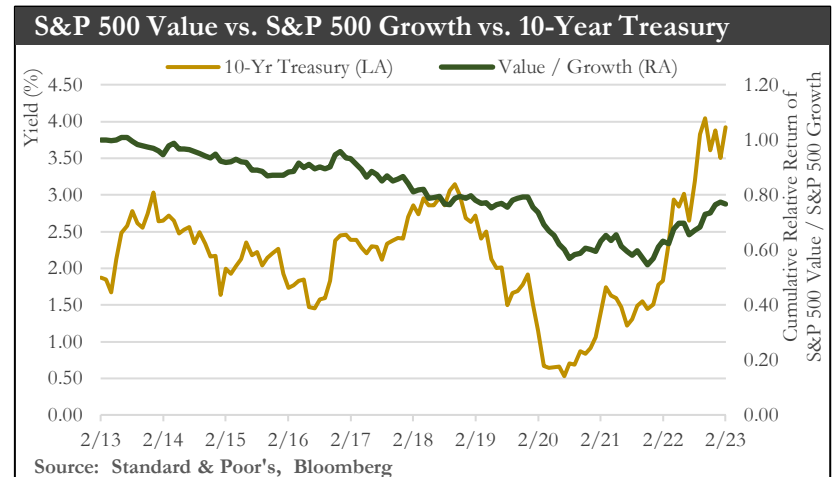
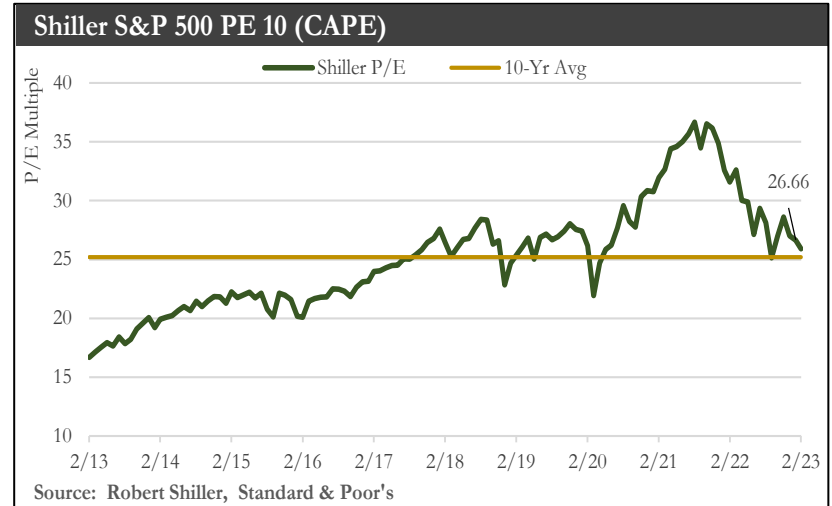
# Economic & Market Overview

- **Nearing the End of Rate Hikes?** The Federal Reserve raised interest rates another  $\frac{1}{4}$  percentage point in March to fight inflation but signaled the turmoil in the banking system might end its rate hiking campaign sooner than seemed likely just a few weeks ago. The recent hike was the 9<sup>th</sup> consecutive rate increase in the past year. While fighting inflation was a singular focus for the Fed in the past year, now financial stability has been brought to the forefront.
- **Has Housing Bottomed?** Both existing home sales and new housing starts rebounded in February. Starts rose almost 10% from January's figure while residential permits were up almost 14%. Existing home sales surged almost 15% in February from January. This marked the first increase after twelve months of declines. The recent decline in mortgage rates likely figured prominently in bringing buyers back into the market.
- **Rates on the Rise Globally.** The European Central Bank (ECB) raised interest rates by  $\frac{1}{2}$  percentage point in March, pressing ahead with its fight against inflation. The move follows consecutive  $\frac{1}{2}$  point rate increases in February and December. The push ahead on rates suggests that the ECB still sees pushing down elevated and sticky inflation in Eurozone as its priority.



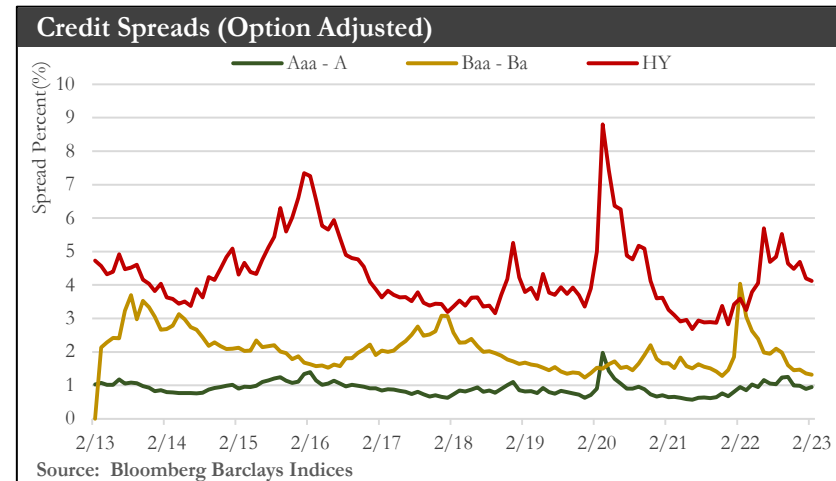
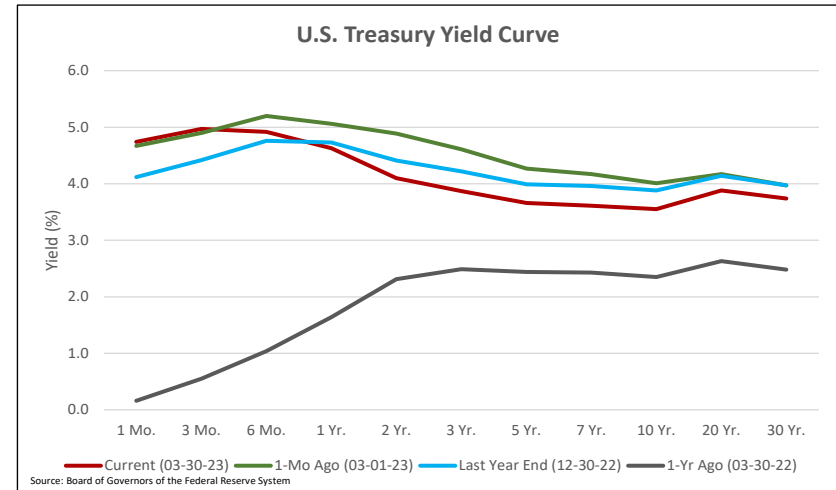
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- Valuations Rebounded But Perhaps Still Rich.** As of March 31<sup>st</sup>, according to Bloomberg, the price to earnings ratio, a measure used to value the S&P 500, rose to 18.8 from 17.6 times forward earnings just a few weeks ago as the market rose. One year ago, the forward P/E was stretched at 20.2 times forward earnings. The longer-term CAPE PE ratio has stayed stable for now despite the recent rally.
- Earnings Growth Continues to Slide.** The Fed's rate hiking cycle and inflationary pressures are showing up in corporate earnings reports. For Q1 '23, the current estimated earnings decline for the S&P 500 is still forecasted to be -6.1% from a year ago. This follows on the heels of a decline in earnings growth during the 4<sup>th</sup> quarter of 2022. As of 12/31/22, the Q1 '23 earnings forecast was only -0.4% year-over-year for the S&P 500. In other words, analysts have been downgrading earnings so far in in 2023.
- Markets Rebounded Post Silicon Value Bank Collapse.** As of 3/31/23, the broad U.S. stock market index as measured by the Russell 3000 was up 7.2% in 2023. This represents a nice bounce in stock prices in recent weeks despite the continued uncertainty in the banking space.



# Economic & Market Overview

- **Competing Forces.** The 10-year U.S. Treasury yield has been trading between 3.4%-3.5% in recent weeks following the collapse of several regional banks. U.S. Treasuries attracted intense and rapid investor interest creating demand for safety of capital after the bank collapses. Offsetting this desire for safety of principal with a potential recession looming, was the continued strength of the labor market and recent improvement in the housing market's dynamics.
- **Rate Hikes Almost Over?** The yield on the two-year U.S. Treasury rose to as high as 4.9% in recent weeks but now has fallen precipitously to 4.1% after the bank collapses. Demand surged for safe investments. The large decline in the 2-year U.S. Treasury note would appear to reinforce the notion that we are nearing the end of the rate hike cycle.
- **Just the Beginning?** Interest rate spreads between high quality U.S. Treasuries and lower quality corporate bonds have widened recently as concerns about a rise in defaults emerges. While default rates are still low, they have been creeping up.



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