

April 30, 2023

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

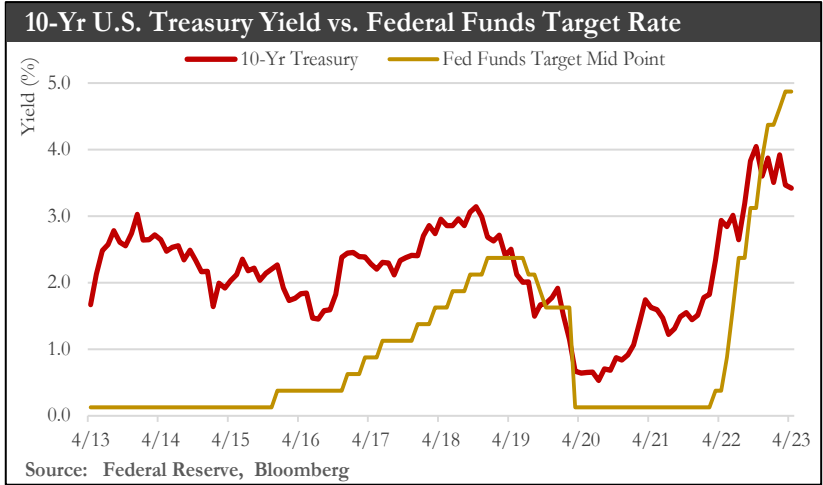
# Capital Market Performance

Index Performance as of: 4/30/2023																
	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	1.28	-3.08	2.19	0.62	14.42	7.45	8.96	MSCI EAFE NR	2.82	3.17	11.53	8.42	11.68	3.63	4.76	
Russell 3000	1.07	1.33	8.31	1.47	14.05	10.58	11.65	MSCI Emerging Mkts NR	-1.13	-4.74	2.78	-6.51	4.33	-1.04	1.80	
Russell 3000 Growth	0.86	5.90	14.83	2.24	13.23	13.12	14.03	MSCI Frontier Markets NR	0.51	-0.84	3.62	-14.82	5.76	-2.13	2.42	
Russell 1000 Value	1.51	-2.54	2.51	1.17	14.35	7.72	9.11	MSCI ACWI NR	1.44	1.57	8.85	2.06	12.04	7.03	7.90	
Russell 1000	1.24	1.95	8.78	1.79	14.20	11.05	11.94	MSCI ACWI ex USA NR	1.74	0.57	8.72	3.05	9.74	2.50	3.97	
Russell 1000 Growth	0.99	6.61	15.49	2.33	13.61	13.79	14.45	MSCI AC Asia ex Japan NR	-2.08	-5.58	2.17	-5.94	3.21	-0.49	3.65	
Russell Midcap Value	0.01	-6.26	1.31	-3.51	15.72	6.40	8.66	<b>International Equity - Country Region</b>								
Russell Midcap	-0.53	-4.44	3.49	-1.71	13.76	7.95	9.84	MSCI Brazil NR	3.40	-6.38	0.12	-2.55	13.37	-2.29	-1.83	
Russell Midcap Growth	-1.45	-1.08	7.55	1.61	9.21	8.96	10.83	MSCI BRIC NR	-1.94	-7.74	-1.11	-5.74	-1.53	-3.17	1.28	
Russell 2000 Value	-2.49	-11.59	-3.15	-8.02	15.40	3.63	6.93	MSCI China NR	-5.16	-11.16	-0.69	-5.80	-6.27	-5.01	2.71	
Russell 2000	-1.80	-8.08	0.88	-3.68	11.87	4.12	7.86	MSCI Europe NR	2.50	4.24	11.32	7.06	14.05	6.53	7.22	
Russell 2000 Growth	-1.16	-4.65	4.84	0.69	7.79	3.97	8.41	MSCI India NR	4.17	0.56	-2.45	-6.95	17.87	6.15	7.00	
<b>Standard &amp; Poors</b>								MSCI Japan NR	0.37	0.34	6.58	4.30	5.66	1.21	4.18	
S&P 500	1.56	2.71	9.16	2.64	14.50	11.42	12.18	MSCI EM Latin Amer NR	2.69	-2.87	6.72	4.97	16.79	-1.07	-1.57	
Consumer Discretionary	-0.95	-0.06	14.95	-8.54	7.26	7.97	11.68	<b>Fixed Income-Taxable</b>								
Consumer Staples	3.60	5.39	4.45	2.24	13.51	12.39	9.67	Bloomberg US Agg TR	0.61	0.49	3.59	-0.43	-3.15	1.18	1.32	
Energy Sector	3.30	-4.25	-1.56	18.97	37.39	8.21	4.83	Bloomberg US Agg 1-3 YR	0.34	1.04	1.86	1.15	-0.58	1.30	1.01	
Financials Sector	3.18	-8.82	-2.56	-1.86	15.69	6.09	10.31	Bloomberg US Agg 3-5 YR	0.64	0.98	2.89	0.99	-1.77	1.42	1.32	
Health Care Sector	3.07	0.51	-1.37	4.17	12.05	12.22	12.89	Bloomberg US Agg 5-7 YR	0.60	0.61	3.40	0.26	-2.39	1.42	1.35	
Industrials Sector	-1.18	-1.42	2.24	7.00	17.88	8.76	11.11	Bloomberg U.S. T-Bills	0.38	1.14	1.48	2.97	1.04	1.43	0.87	
Information Technology	0.45	11.94	22.37	8.08	19.28	19.71	20.07	Bloomberg US Govt	0.53	1.02	3.53	-0.89	-4.16	1.03	0.88	
Materials Sector	-0.14	-4.44	4.14	-3.03	18.12	9.53	9.65	Bloomberg US Credit	0.79	0.43	4.26	0.72	-1.92	1.88	2.08	
Real Estate Sector	0.97	-6.40	2.86	-15.98	7.06	7.71	5.53	Bloomberg US Corp HY	1.00	0.77	4.60	1.22	4.71	3.28	4.01	
Communication Services	3.78	9.21	25.05	1.14	6.12	7.43	4.95	Bloomberg US TIPS	0.11	1.59	3.45	-4.00	0.86	2.98	1.41	
Utilities Sector	1.87	0.57	-1.44	-0.21	9.87	9.54	8.94	Bloomberg Global-Agg	0.44	0.17	3.46	-2.31	-3.91	-0.93	-0.03	
<b>Other U.S. Equity</b>								Bloomberg Gbl Agg ex-USI	0.29	-0.12	3.35	-3.90	-4.68	-2.67	-1.13	
Dow Jones Industrial Avg.	2.57	0.58	3.53	5.64	14.19	9.49	11.20	Bloomberg EM USD Agg	0.39	-0.63	2.55	0.06	-0.66	0.59	1.91	
NASDAQ 100 Stock	0.52	9.70	21.40	3.99	14.66	15.97	17.70	<b>Fixed Income-Tax Exempt</b>								
<b>Alternative Investments</b>								Bloomberg Municipal	-0.23	-0.32	2.54	2.87	0.70	2.06	2.25	
Alerian MLP	1.65	-0.75	5.74	16.45	28.99	5.94	0.56	Bloomberg Muni 3 YR	-0.47	-0.50	0.87	2.06	0.33	1.26	1.07	
Bloomberg Commodity	-0.75	-5.61	-6.07	-16.60	21.14	4.66	-1.51	Bloomberg Muni 5 YR	-0.45	-0.54	1.47	2.99	0.59	1.72	1.54	
FTSE Nareit Equity REITs	0.83	-6.44	3.54	-14.80	9.44	5.90	5.37	Bloomberg Muni 7 YR	-0.34	-0.45	1.95	3.88	0.85	2.20	2.02	
S&P Global Nat Res	-0.21	-6.68	0.36	-0.89	22.25	6.73	5.22	Bloomberg Muni HY	0.58	-1.07	3.33	-0.40	4.10	3.09	3.53	
S&P N.Amer Nat Res	1.78	-5.77	-1.07	5.87	28.28	6.61	3.57									

Source: Bloomberg

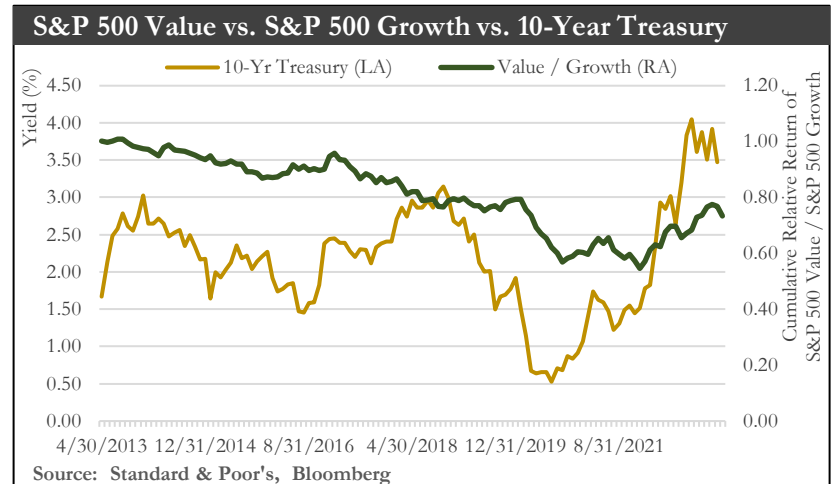
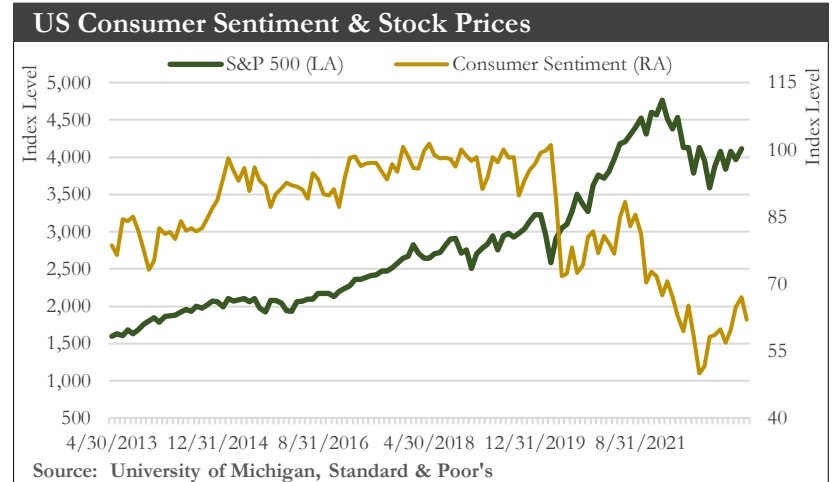
# Economic & Market Overview

- **Fed's Final Act?** The Federal Reserve raised interest rates another ¼ percentage point in early May which may be the final move in the most aggressive tightening campaign since the 1980's. In the Fed's statement following the May 3<sup>rd</sup> meeting, they left the door open to more tightening if needed. According to the Fed, "tighter credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation".
- **Economy Finally Slowing?** After-inflation adjusted GDP expanded 1.1% in Q1 '23 – a marked deceleration from last quarter's 2.6%. Much of the strength was attributable to consumer spending. A sturdy labor market alongside some easing of inflationary pressures are helping to support real household income and sustain a robust pace of consumer spending.
- **Inflation Slowing.** The Consumer Price Index (CPI) increased just 0.1% in March, the smallest monthly increase since last July. The 12-month change slipped to 5.0% from 6.0% in February. Core inflation was up 0.4% to 5.6% in March compared to March of last year. Both energy and food at home prices declined which was encouraging. The recent uptick in consumer inflation expectations is of some concern.



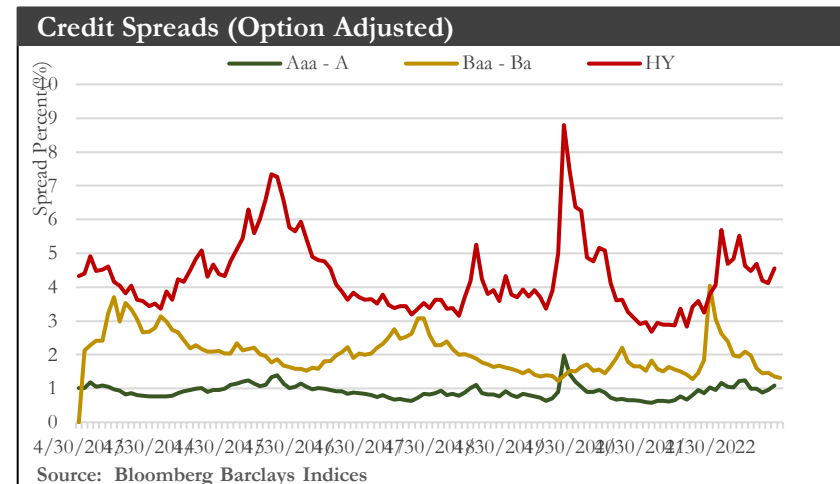
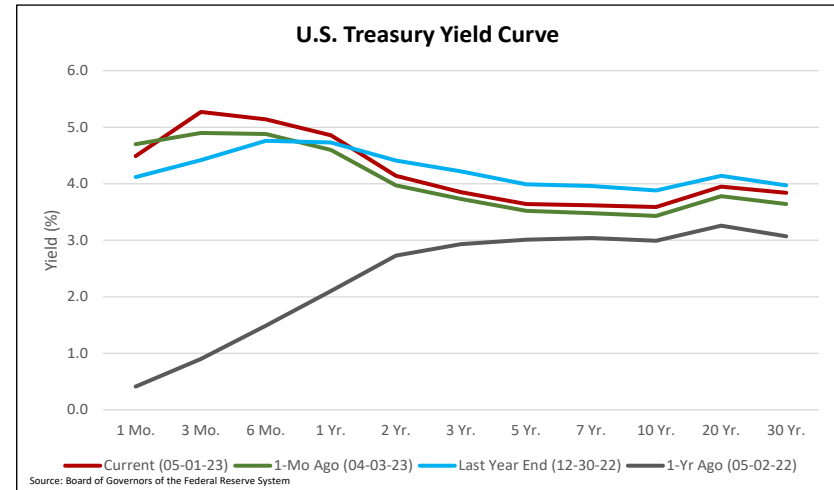
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- Valuations Tick Up Slightly.** As of April 30<sup>th</sup>, according to Bloomberg, the price to earnings ratio, one measure used to value the S&P 500, rose to 19.0 from 18.8 times forward earnings just a month ago as the market rose. One year ago, the forward P/E was at 18.3 times forward earnings.
- 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 now forecasted to be -3.7% (according to Factset) from a year ago with over 50% of the S&P 500 companies reporting first quarter earnings. 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, results are coming in worse than forecast by analysts at the end of last year.
- Style Over Substance?** As of 4/30/23, the broad U.S. stock market index as measured by the Russell 3000 was up 8.3% in 2023. The market's performance however was driven by only a handful of mega cap Growth stocks (Alphabet, Amazon, Apple, Meta, Microsoft, NVIDIA, Netflix, and Tesla) while the remainder of the market provided very little return at all.



# Economic & Market Overview

- Messy Crises.** The 10-year U.S. Treasury yield has been trading between 3.3%-3.5% in recent weeks following the ongoing crisis in the banking sector and deposit exodus as well as the looming U.S. debt ceiling deadline. U.S. Treasuries have attracted investors with the prospects of a slowing economy and interest rates cuts later this year (despite the Fed's statements that rates will stay higher for longer).
- Quite a fall.** The yield on the two-year U.S. Treasury rose to as high as 4.9% in recent weeks but now has fallen to 3.9% after the bank collapses and softening economic data. Demand has 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 and are expected to keep rising but perhaps not reach the historical average of just under 4% annually.



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