

May 31, 2023

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

# Capital Market Performance

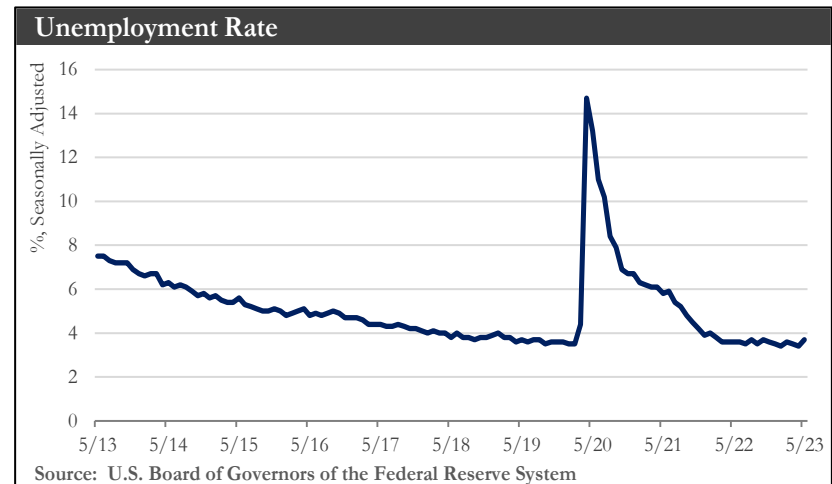
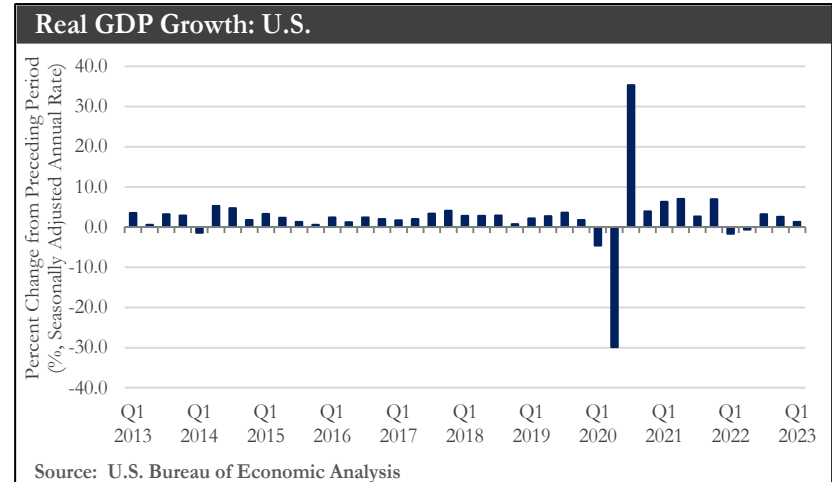
Index Performance as of: 5/31/2023

	<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>							
Russell 3000 Value	-3.76	-3.37	-1.65	-5.00	11.72	6.42	8.26	MSCI EAFE NR	-4.23	0.91	6.81	3.06	8.53	3.21	4.56
Russell 3000	0.39	4.17	8.73	2.01	12.23	10.05	11.44	MSCI Emerging Mkts NR	-1.68	0.15	1.05	-8.49	3.47	-0.67	1.90
Russell 3000 Growth	4.30	11.77	19.77	9.14	12.32	13.07	14.28	MSCI Frontier Markets NR	-0.64	1.02	2.96	-9.60	3.59	-0.34	1.86
Russell 1000 Value	-3.86	-2.86	-1.45	-4.59	11.60	6.75	8.40	MSCI ACWI NR	-1.07	3.44	7.68	0.85	10.07	6.77	7.82
Russell 1000	0.47	4.93	9.29	2.42	12.43	10.59	11.74	MSCI ACWI ex USA NR	-3.64	0.43	4.77	-1.41	7.23	2.22	3.83
Russell 1000 Growth	4.56	12.80	20.75	9.54	12.84	13.83	14.75	MSCI AC Asia ex Japan NR	-1.83	-0.53	0.30	-8.08	2.97	-0.59	3.60
Russell Midcap Value	-4.44	-7.44	-3.18	-9.52	12.28	5.21	7.97								
Russell Midcap	-2.79	-4.79	0.60	-4.53	10.17	6.86	9.29	<b>International Equity - Country Region</b>							
Russell Midcap Growth	0.06	-0.03	7.62	5.76	5.81	8.17	10.55	MSCI Brazil NR	0.65	3.79	0.77	-9.51	10.56	1.40	-1.04
Russell 2000 Value	-1.98	-11.29	-5.07	-11.53	13.55	2.05	6.41	MSCI BRIC NR	-4.42	-3.31	-5.48	-9.92	-3.16	-3.68	1.17
Russell 2000	-0.93	-7.37	-0.06	-4.71	9.20	2.71	7.33	MSCI China NR	-8.43	-9.23	-9.07	-14.75	-8.84	-7.01	1.90
Russell 2000 Growth	0.02	-3.59	4.85	2.65	4.60	2.71	7.88	MSCI Europe NR	-2.52	-0.16	8.51	5.18	12.00	5.97	6.74
								MSCI India NR	2.91	8.44	0.39	1.68	20.12	7.55	7.63
<b>Standard &amp; Poors</b>								MSCI Japan NR	1.86	6.29	8.56	4.53	4.29	1.78	4.99
S&P 500	0.43	5.75	9.64	2.89	12.90	10.99	11.97	MSCI EM Latin Amer NR	-0.85	2.67	5.81	-3.80	14.06	1.80	-0.94
Consumer Discretionary	3.21	5.43	18.64	-0.79	6.66	8.23	11.73								
Consumer Staples	-6.08	1.42	-1.89	0.68	10.61	11.34	9.23	<b>Fixed Income-Taxable</b>							
Energy Sector	-10.04	-7.26	-11.44	-7.55	31.81	5.31	3.47	Bloomberg US Agg TR	-1.09	2.04	2.46	-2.14	-3.65	0.81	1.39
Financials Sector	-4.32	-10.71	-6.77	-8.60	12.98	5.35	9.18	Bloomberg US Agg 1-3 YR	-0.30	1.49	1.55	0.23	-0.74	1.16	1.00
Health Care Sector	-4.29	0.85	-5.60	-1.71	9.24	11.19	12.21	Bloomberg US Agg 3-5 YR	-0.70	2.21	2.17	-0.55	-2.18	1.16	1.34
Industrials Sector	-3.16	-3.68	-0.99	4.11	14.56	7.42	10.23	Bloomberg US Agg 5-7 YR	-0.90	2.28	2.47	-1.61	-3.04	1.09	1.42
Information Technology	9.46	21.99	33.95	19.33	20.17	20.17	20.62	Bloomberg U.S. T-Bills	0.41	1.19	1.89	3.33	1.17	1.48	0.91
Materials Sector	-6.85	-7.94	-2.99	-10.68	12.80	7.54	8.67	Bloomberg US Govt	-1.14	2.24	2.35	-2.21	-4.45	0.62	0.93
Real Estate Sector	-4.51	-4.93	-1.77	-15.53	4.76	6.25	5.73	Bloomberg US Credit	-1.39	2.11	2.81	-1.56	-2.90	1.50	2.18
Communication Services	6.21	21.67	32.81	5.53	6.19	9.23	6.39	Bloomberg US Corp HY	-0.92	1.14	3.64	0.05	2.90	3.09	3.98
Utilities Sector	-5.87	0.61	-7.22	-9.96	6.14	8.47	9.32	Bloomberg US TIPS	-1.20	1.77	2.21	-4.20	0.36	2.64	1.75
								Bloomberg Global-Agg	-1.95	1.59	1.44	-4.48	-4.68	-1.17	0.08
<b>Other U.S. Equity</b>								Bloomberg Gbl Agg ex-USE	-2.69	1.23	0.57	-6.49	-5.64	-2.84	-1.01
Dow Jones Industrial Avg.	-3.17	1.39	0.25	1.96	11.27	8.48	10.60	Bloomberg EM USD Agg	-0.75	0.88	1.78	-0.68	-2.39	0.59	2.11
NASDAQ 100 Stock	7.73	18.62	30.79	13.77	15.17	16.42	18.17								
								<b>Fixed Income-Tax Exempt</b>							
<b>Alternative Investments</b>								Bloomberg Municipal	-0.87	1.10	1.65	0.49	-0.64	1.65	2.28
Alerian MLP	-0.52	-0.07	5.20	7.54	25.14	4.79	0.72	Bloomberg Muni 3 YR	-0.59	0.47	0.28	0.24	-0.51	1.03	1.02
Bloomberg Commodity	-5.64	-6.54	-11.37	-22.48	17.15	3.17	-1.86	Bloomberg Muni 5 YR	-0.96	0.45	0.49	0.43	-0.67	1.32	1.51
FTSE Nareit Equity REITs	-3.22	-4.89	0.21	-12.07	8.18	4.39	5.67	Bloomberg Muni 7 YR	-1.14	0.49	0.79	1.12	-0.56	1.74	2.03
S&P Global Nat Res	-9.39	-10.54	-9.07	-14.26	16.87	4.34	4.37	Bloomberg Muni HY	-0.69	1.43	2.61	-2.17	2.48	2.53	3.44
S&P N.Amer Nat Res	-8.60	-7.05	-9.59	-12.07	23.45	4.09	2.42								

Source: Bloomberg

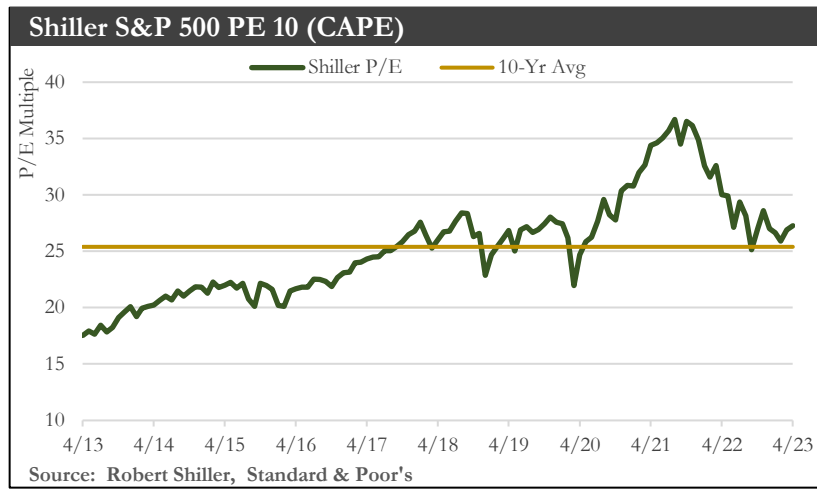
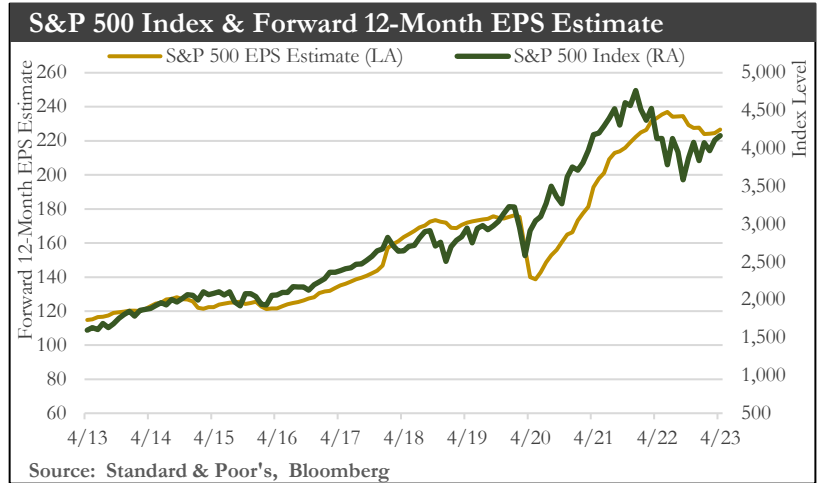
# Economic & Market Overview

- **Finally, Across the Finish Line.** The Senate approved raising the debt limit allowing the Federal government to borrow the funds it needs to pay its bills. The legislation now goes to the President for signature. The final bill was, not surprisingly, an 11<sup>th</sup> hour compromise fashioned by President Biden and Speaker McCarthy. The uncertainty about the credit worthiness of the U.S. government will now recede from the headlines for a couple of years.
- **Economy Finally Slowing?** After-inflation adjusted GDP for Q1 '23 was revised slightly upward to 1.3% from 1.1%. Offsetting factors included a significant drag from a slowdown in inventory investment while the consumer continued to spend at a robust clip. Second quarter growth is likely to slow as the weight of tighter lending conditions and the Fed's rate hikes continue to bite into the economy.
- **Labor Market Remains Hot.** The U.S. economy added 339,000 jobs in May. Unemployment ticked up to 3.7% from 3.4% as 130,000 new workers joined the work force. Average hourly earnings rose 0.3% in May a deceleration from April's 0.4% increase. The strength of the labor market and consumer spending keeps the possibility of another 25-basis point hike in play later this summer.



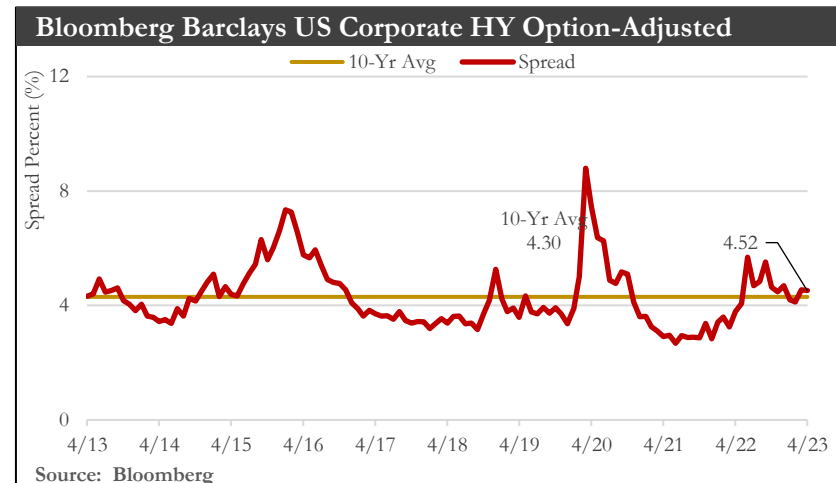
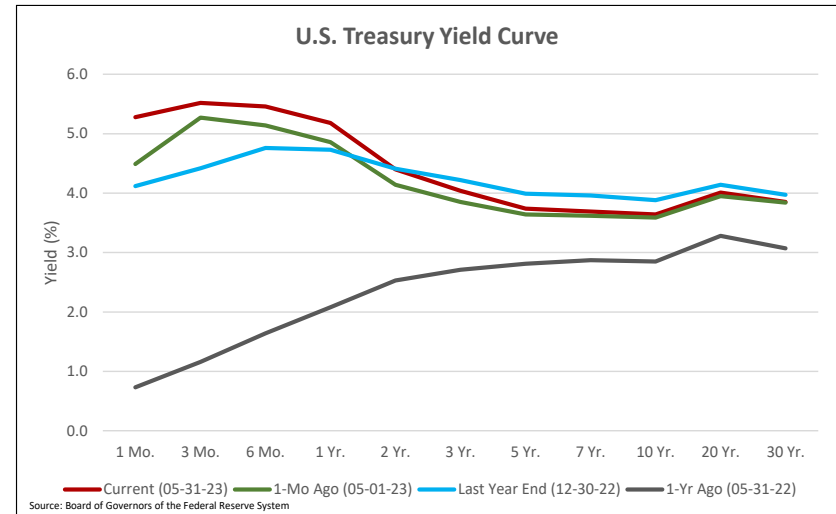
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- Valuations Remain Elevated.** As of May 31st, according to Bloomberg, the price to earnings ratio, one measure used to value the S&P 500, stayed at 19.0 times forward earnings. The valuation was 20.2 times trailing 12-month earnings. One year ago, the forward P/E was at 17.8 times forward earnings.
- Earnings Growth Sliding.** 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 expected to be -2.5% (according to Factset) from a year ago with almost 100% 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.
- The Chosen Few.** As of 5/31/2023, the broad U.S. stock market index as measured by the Russell 3000 was up 8.7% 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 even including dividends.



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- **Higher for Longer...Read My Lips.** The 10-year U.S. Treasury yield has been trading higher at about 3.7% in recent days in the lead up to and following the resolution of the U.S. government debt ceiling. With the labor market still strong, consumers still spending, and a labor force that is growing, inflation will take time to get to the Fed's target. Until then, it is probably safe to expect that a "higher for longer" regime is likely to stay in place.
- **Mixed News.** The yield on the two-year U.S. Treasury rose to 4.5% in recent weeks as uncertainty about reaching a solution to the U.S. government's borrowing needs rattled markets. Beyond this uncertainty (which now has fortunately passed), the U.S. government will be borrowing about \$1 trillion in the weeks ahead which should put some upward pressure on rates.
- **High Yield Spreads Widening.** Interest rate spreads between high quality U.S. Treasuries and lower quality corporate bonds have widened recently as concerns about a rise in defaults unfolds. 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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