

January 31, 2024

MATRIX

PRIVATE
CAPITAL
GROUP

Economic & Market Review

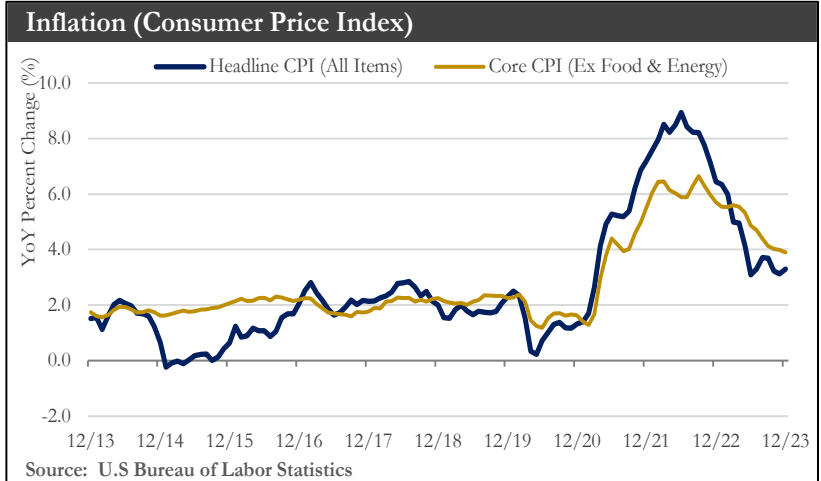
Capital Market Performance

Index Performance as of: 1/31/2024															
	<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							
Russell 3000 Value	-0.17	13.78	-0.17	5.67	8.89	9.07	8.63	MSCI EAFE NR	0.58	15.75	0.58	10.01	4.59	6.91	4.77
Russell 3000	1.11	16.39	1.11	19.12	9.08	13.50	11.94	MSCI Emerging Mkts NR	-4.64	7.01	-4.64	-2.94	-7.50	0.99	2.86
Russell 3000 Growth	2.21	18.67	2.21	33.10	9.00	17.27	14.89	MSCI Frontier Markets NR	1.00	11.47	1.00	7.89	-0.31	2.58	2.01
Russell 1000 Value	0.10	13.59	0.10	6.04	9.20	9.24	8.78	MSCI ACWI NR	0.59	15.15	0.59	14.70	6.12	10.16	8.43
Russell 1000	1.39	16.32	1.39	20.21	9.76	13.97	12.31	MSCI ACWI ex USA NR	-0.99	13.34	-0.99	5.88	1.14	5.32	4.21
Russell 1000 Growth	2.49	18.70	2.49	34.98	10.03	18.03	15.47	MSCI AC Asia ex Japan NR	-5.45	4.67	-5.45	-7.40	-9.68	1.09	3.80
Russell Midcap Value	-1.79	15.82	-1.79	2.38	7.76	8.57	8.22	International Equity - Country Region							
Russell Midcap	-1.42	17.04	-1.42	6.67	5.48	10.05	9.46	MSCI Brazil NR	-5.89	15.20	-5.89	16.77	8.50	0.45	3.37
Russell Midcap Growth	-0.54	20.05	-0.54	15.14	1.24	11.24	10.74	MSCI BRIC NR	-5.61	1.19	-5.61	-10.22	-13.43	-2.39	2.01
Russell 2000 Value	-4.54	16.99	-4.54	-0.16	4.43	6.70	6.65	MSCI China NR	-10.61	-10.57	-10.61	-28.99	-23.26	-6.93	0.42
Russell 2000	-3.89	17.60	-3.89	2.36	-0.79	6.77	7.00	MSCI Europe NR	1.57	12.12	1.57	10.17	10.31	8.86	6.81
Russell 2000 Growth	-3.21	18.23	-3.21	4.44	-6.06	6.14	6.97	MSCI India NR	2.41	18.11	2.41	27.53	13.75	12.74	10.59
								MSCI Japan NR	4.62	18.53	4.62	18.51	2.53	6.61	5.86
Standard & Poors								MSCI EM Latin Amer NR	-4.80	17.52	-4.80	14.99	10.68	2.18	2.63
S&P 500	1.68	15.99	1.68	20.79	10.97	14.27	12.59	Fixed Income-Taxable							
Consumer Discretionary	-3.53	13.53	-3.53	19.35	2.32	10.70	11.95	Bloomberg US Agg TR	-0.27	8.23	-0.27	2.10	-3.17	0.83	1.63
Consumer Staples	1.54	8.48	1.54	2.98	8.26	10.08	9.27	Bloomberg US Agg 1-3 YR	0.40	2.79	0.40	4.21	0.20	1.46	1.27
Energy Sector	-0.38	-1.45	-0.38	-4.48	34.20	10.85	4.07	Bloomberg US Agg 3-5 YR	0.28	5.28	0.28	3.60	-1.42	1.28	1.56
Financials Sector	3.04	20.41	3.04	8.09	12.34	10.68	10.73	Bloomberg US Agg 5-7 YR	0.05	7.43	0.05	2.69	-2.64	1.07	1.67
Health Care Sector	3.01	13.26	3.01	7.13	8.63	11.19	11.57	Bloomberg U.S. T-Bills	0.44	1.36	0.44	5.24	2.36	1.92	1.27
Industrials Sector	-0.88	15.37	-0.88	12.84	11.85	11.53	10.38	Bloomberg US Govt	-0.27	6.59	-0.27	1.30	-3.53	0.41	1.11
Information Technology	3.95	21.82	3.95	50.09	16.95	26.20	21.55	Bloomberg US Credit	-0.18	9.91	-0.18	4.02	-2.88	1.97	2.64
Materials Sector	-3.91	8.86	-3.91	-0.77	7.35	11.47	8.67	Bloomberg US Corp HY	0.00	8.42	0.00	9.28	1.87	4.44	4.52
Real Estate Sector	-4.74	16.45	-4.74	-2.68	4.69	5.61	7.07	Bloomberg US TIPS	0.18	5.66	0.18	2.21	-1.05	2.91	2.24
Communication Services	5.02	18.69	5.02	42.90	6.60	12.18	8.68	Bloomberg Global-Agg	-1.38	7.90	-1.38	0.94	-5.67	-0.89	0.13
Utilities Sector	-3.01	3.96	-3.01	-8.04	2.82	5.75	8.26	Bloomberg Gbl Agg ex-UST	-2.29	7.70	-2.29	-0.18	-7.61	-2.37	-1.09
								Bloomberg EM USD Agg	-0.56	9.11	-0.56	5.11	-3.03	1.09	3.00
Other U.S. Equity								Fixed Income-Tax Exempt							
Dow Jones Industrial Avg.	1.31	16.04	1.31	14.36	10.58	11.18	11.80	Bloomberg Municipal	-0.51	8.26	-0.51	2.90	-0.78	1.99	2.78
NASDAQ 100 Stock	1.89	19.19	1.89	42.83	10.75	20.97	18.34	Bloomberg Muni 3 YR	-0.22	3.25	-0.22	1.83	-0.03	1.23	1.21
								Bloomberg Muni 5 YR	-0.32	5.04	-0.32	1.92	-0.50	1.50	1.73
Alternative Investments								Bloomberg Muni 7 YR	-0.40	6.49	-0.40	2.11	-0.59	1.83	2.34
Alerian MLP	4.35	9.11	4.35	23.67	31.50	10.11	2.18	Bloomberg Muni HY	-0.46	10.47	-0.46	4.08	-0.09	3.26	4.61
Bloomberg Commodity	0.40	-4.50	0.40	-7.09	9.96	6.18	-1.10								
FTSE Nareit Equity REITs	-4.15	16.48	-4.15	-1.50	5.67	4.14	6.75								
S&P Global Nat Res	-5.31	3.24	-5.31	-8.36	10.69	7.93	5.18								
S&P N.Amer Nat Res	-1.94	0.97	-1.94	-3.17	23.49	10.00	3.12								

Source: Bloomberg

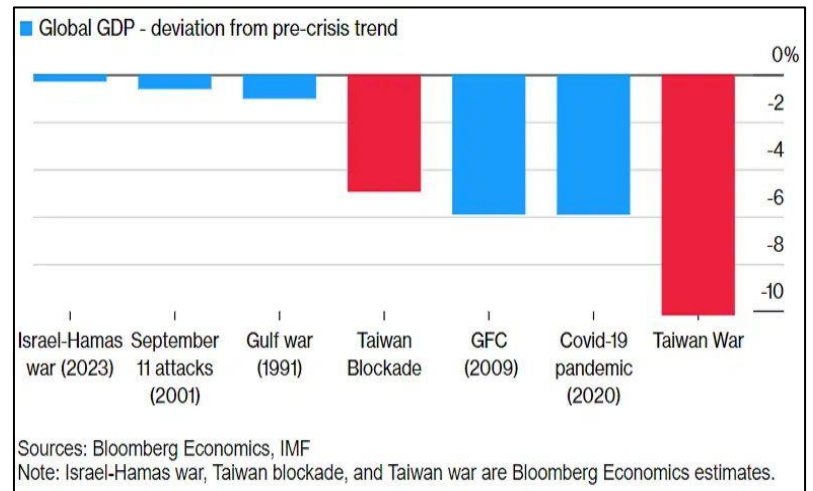
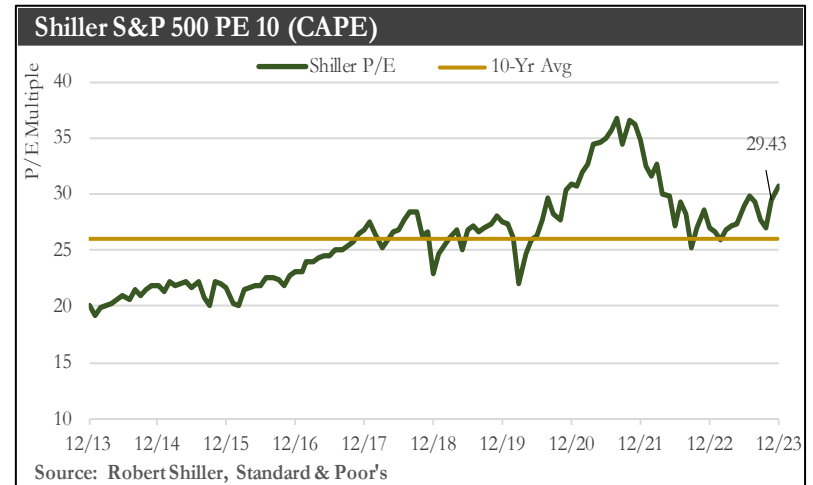
Economic & Market Overview

- **Inflation Apparently Not Conquered Yet.** CPI (Consumer Price Index) rose slightly in December while core inflation fell slightly to 3.9% over the past year as reported in early January. We believe this inflation report along with a continuing solid employment picture should keep the Federal Reserve on hold for now. While markets are expecting numerous interest rate cuts this year, the economy is likely to keep the Fed cautious on any rate cutting.
- **Labor Market Remains Solid.** In another surprise report on the labor market, the U.S. generated 353,000 new jobs in January nearly double the amount expected by economists. The unemployment rate held steady at 3.7%. However, wage growth jumped 0.6% in January and over the past year rose from December's annual increase of 4.1% to 4.5%.
- **Surprising Economic Growth.** The economy grew at a surprising 3.3% in Q4 and 3.1% for all of 2023 defying forecasters expectations for an economic slowdown. This expansion is expected to continue into 2024 but likely at a slower pace. With the economy holding up well the Fed can afford to proceed carefully over the coming months with their interest rate policy. We believe imminent rate cuts are likely off the table.



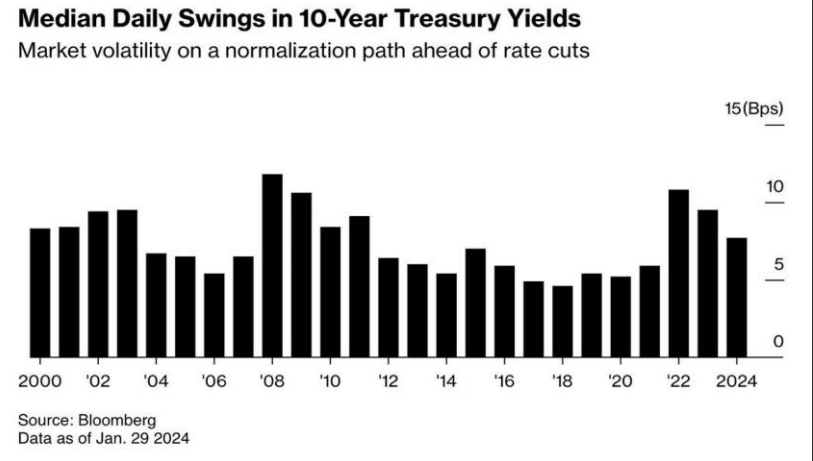
Economic & Market Overview

- Market Stretched Further.** By multiple valuation perspectives, the S&P 500 is expensive. We believe the decline in interest rates at the long end of the yield curve since late October was likely the primary driver of the recent rally. The forward Price/Earnings (P/E) ratio of Technology stocks in the S&P 500 is case in point trading at over 29X earnings almost a third higher than their historical Price/Earnings valuation.
- Q4 Earnings Forecast.** Q4 corporate earnings for the S&P 500 are forecasted to have declined by 1.4% in the past year according to Factset. This is a substantial decline from the 8% growth forecast as of the end of September. The current forward P/E is well above 20 times earnings which is above the last 5-year (18.9X) and 10-year (17.6X) price to earnings multiple for the S&P 500.
- Top Investor Concerns?** A recent survey of clients polled by Goldman Sachs reveals that geopolitical concerns are considered the top risks to the markets and global economy. Some of the biggest risks cited were Middle East tensions (which has caused dramatic increases in shipping costs from Asia to Europe and could negatively impact the price of oil), U.S. election uncertainties, and concerns about tensions between Taiwan and China as well as Russia and Ukraine.

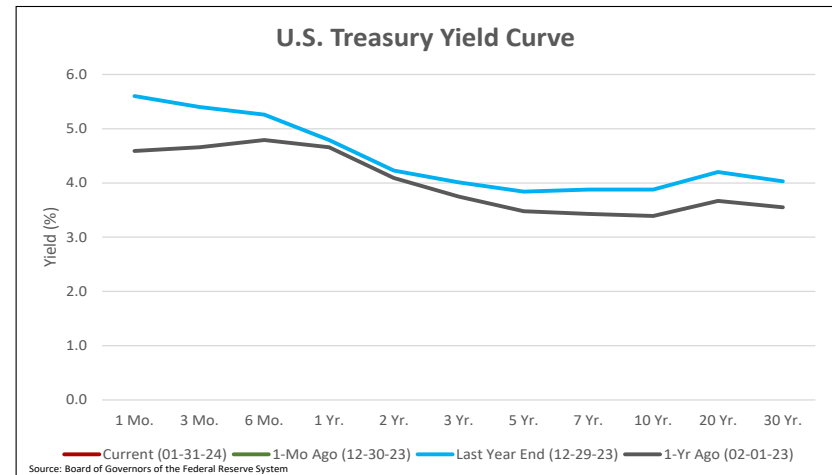


Economic & Market Overview

- Bond Market Roller Coaster.** As recently as late October the interest rate on the 10-year U.S. Treasury was about 5%. At the end of October yields plummeted as the Fed indicated their interest rate policy would likely pivot in 2024 with several interest rate cuts. The bond market has been volatile since with the rates falling to 3.8%, then climbing back up to about 4.2% only to fall again to 3.9%.
- “Risk Off” Q4.** Inflation readings in January edged up portending a possible stall in its decline. We believe investors likely used this occasion to take profits from bond portfolios due to the decline in rates at the end of 2023. As a result, the total return for non-U.S. Government bonds was negative for the month of January.
- Truth is, No One Knows.** Opinions of professional investors around the globe vary considerably as to what the trajectory of interest rates will look like in 2024. While there is consensus rates will likely decline, *when* and *how fast* the Fed will cut, are open questions. Complicating the decision for the Fed is the slowly declining but sticky inflation, a resilient economy, and an impending Presidential election. The Fed tends to avoid policy changes close to an election to avoid the appearance of politics influencing their decision.



Sources: Bloomberg, Daily Chartbook



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