

September 30, 2023

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

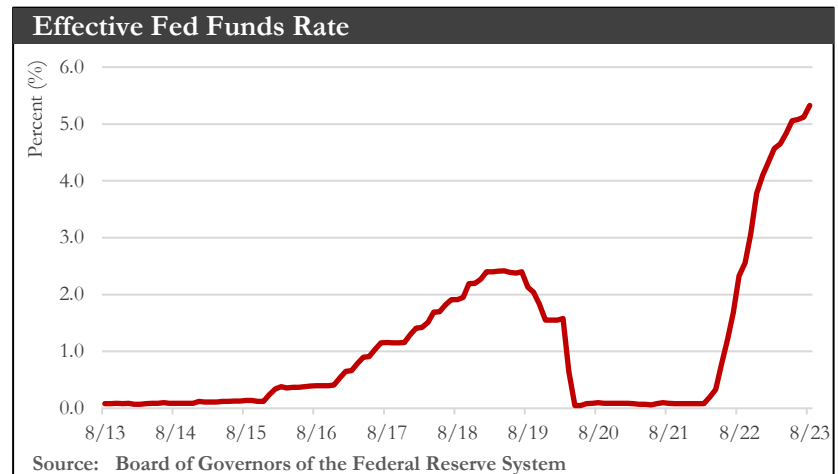
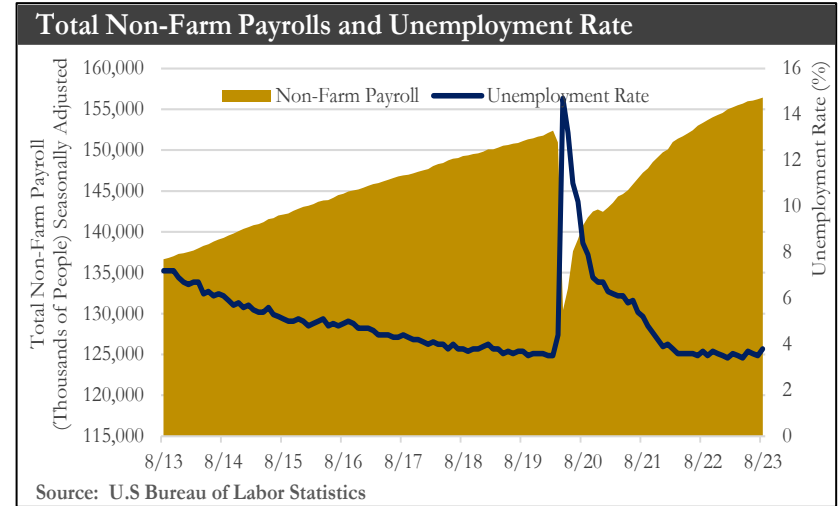
# Capital Market Performance

Index Performance as of: 9/30/2023															
	<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	-3.94	-3.15	1.64	14.01	11.16	5.95	8.26	MSCI EAFE NR	-3.42	-4.11	7.08	25.65	5.75	3.24	3.82
Russell 3000	-4.76	-3.25	12.38	20.43	9.36	9.12	11.26	MSCI Emerging Mkts NR	-2.62	-2.93	1.82	11.70	-1.73	0.55	2.07
Russell 3000 Growth	-5.50	-3.34	23.77	26.62	7.54	11.69	13.93	MSCI Frontier Markets NR	-3.79	1.98	7.37	6.48	1.74	1.63	2.25
Russell 1000 Value	-3.86	-3.17	1.77	14.40	11.02	6.20	8.43	MSCI ACWI NR	-4.14	-3.40	10.06	20.80	6.89	6.46	7.55
Russell 1000	-4.70	-3.15	13.00	21.17	9.51	9.61	11.61	MSCI ACWI ex USA NR	-3.16	-3.77	5.34	20.39	3.74	2.58	3.35
Russell 1000 Growth	-5.44	-3.13	24.97	27.71	7.97	12.41	14.47	MSCI AC Asia ex Japan NR	-2.68	-3.34	-0.42	10.88	-3.31	0.56	3.55
Russell Midcap Value	-5.09	-4.46	0.52	11.01	10.95	5.15	7.89	<b>International Equity - Country Region</b>							
Russell Midcap	-5.02	-4.68	3.89	13.42	8.07	6.36	8.97	MSCI Brazil NR	0.21	-3.63	12.60	15.25	13.30	4.25	0.59
Russell Midcap Growth	-4.87	-5.22	9.88	17.46	2.61	6.97	9.94	MSCI BRIC NR	-1.12	-0.76	-1.13	7.67	-7.25	-1.08	1.64
Russell 2000 Value	-5.21	-2.97	-0.58	7.76	13.27	2.55	6.16	MSCI China NR	-2.75	-1.94	-7.29	5.24	-14.27	-4.16	1.67
Russell 2000	-5.89	-5.14	2.51	8.87	7.13	2.36	6.62	MSCI Europe NR	-1.56	-2.06	8.83	19.22	10.95	5.90	6.41
Russell 2000 Growth	-6.60	-7.32	5.23	9.55	1.06	1.53	6.69	MSCI India NR	1.67	2.72	7.96	10.10	14.94	9.83	9.75
<b>Standard &amp; Poors</b>								MSCI Japan NR	-2.10	-1.59	11.21	25.92	2.81	2.06	4.38
S&P 500	-4.77	-3.27	13.06	21.59	10.13	9.89	11.89	MSCI EM Latin Amer NR	-2.30	-4.75	12.89	19.37	15.07	2.81	0.24
Consumer Discretionary	-5.98	-4.80	26.58	13.69	2.33	7.17	11.51	<b>Fixed Income-Taxable</b>							
Consumer Staples	-4.53	-5.97	-4.76	7.35	6.09	8.50	8.85	Bloomberg US Agg TR	-2.54	-3.23	-1.21	0.64	-5.21	0.10	1.13
Energy Sector	2.63	12.22	5.99	30.09	51.23	8.87	5.03	Bloomberg US Agg 1-3 YR	-0.06	0.74	1.89	2.80	-0.73	1.16	1.01
Financials Sector	-3.14	-1.13	-1.65	11.68	13.48	5.98	9.63	Bloomberg US Agg 3-5 YR	-0.99	-0.65	0.62	2.30	-2.86	0.83	1.18
Health Care Sector	-2.96	-2.65	-4.09	8.18	8.61	8.21	11.73	Bloomberg US Agg 5-7 YR	-2.05	-2.29	-0.65	1.41	-4.50	0.46	1.17
Industrials Sector	-5.96	-5.16	4.50	24.54	11.41	7.26	10.02	Bloomberg U.S. T-Bills	0.45	1.34	3.70	4.62	1.75	1.71	1.09
Information Technology	-6.87	-5.64	34.72	41.10	13.31	18.38	20.36	Bloomberg US Govt	-2.17	-2.99	-1.45	-0.74	-5.73	-0.03	0.65
Materials Sector	-4.78	-4.76	2.61	18.05	9.46	8.60	8.69	Bloomberg US Credit	-2.60	-3.01	0.03	3.46	-4.83	0.86	2.12
Real Estate Sector	-7.25	-8.90	-5.51	-1.90	2.26	4.34	5.96	Bloomberg US Corp HY	-1.18	0.46	5.86	10.28	1.76	2.96	4.24
Communication Services	-3.26	3.07	40.43	38.48	5.31	7.88	7.26	Bloomberg US TIPS	-1.85	-2.60	-0.78	1.25	-1.98	2.12	1.74
Utilities Sector	-5.63	-9.25	-14.41	-7.02	2.92	5.66	8.32	Bloomberg Global-Agg	-2.92	-3.59	-2.21	2.24	-6.93	-1.62	-0.44
<b>Other U.S. Equity</b>								Bloomberg Gbl Agg ex-US	-3.30	-4.00	-3.20	3.39	-8.39	-3.10	-1.73
Dow Jones Industrial Avg.	-3.42	-2.10	2.73	19.18	8.62	7.13	10.78	Bloomberg EM USD Agg	-2.28	-2.31	0.91	7.56	-4.21	0.23	2.35
NASDAQ 100 Stock	-5.02	-2.86	35.37	35.31	9.69	15.05	17.62	<b>Fixed Income-Tax Exempt</b>							
<b>Alternative Investments</b>								Bloomberg Municipal	-2.93	-3.95	-1.38	2.66	-2.30	1.05	2.29
Alerian MLP	3.24	9.84	20.33	32.40	42.72	6.61	1.84	Bloomberg Muni 3 YR	-0.99	-1.03	-0.14	1.94	-0.95	0.89	0.97
Bloomberg Commodity	-0.69	4.71	-3.44	-1.30	16.23	6.13	-0.75	Bloomberg Muni 5 YR	-1.67	-2.03	-0.86	2.16	-1.71	1.03	1.44
FTSE Nareit Equity REITs	-6.80	-7.13	-2.14	2.99	5.76	2.77	5.96	Bloomberg Muni 7 YR	-2.23	-2.85	-1.39	2.23	-1.96	1.27	1.94
S&P Global Nat Res	-0.35	3.70	0.47	17.78	19.16	6.38	5.24	Bloomberg Muni HY	-3.40	-4.24	0.00	3.48	-0.72	1.74	4.03
S&P N.Amer Nat Res	0.09	8.06	4.90	24.05	32.78	7.49	3.50								

Source: Bloomberg

# Economic & Market Overview

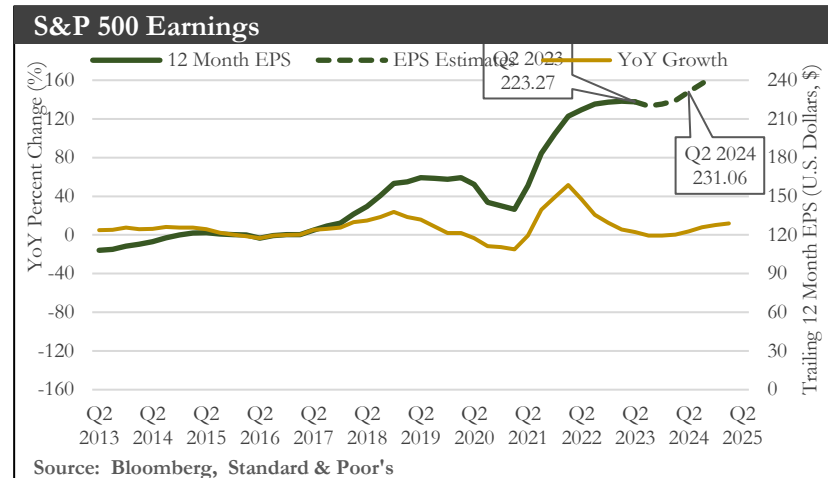
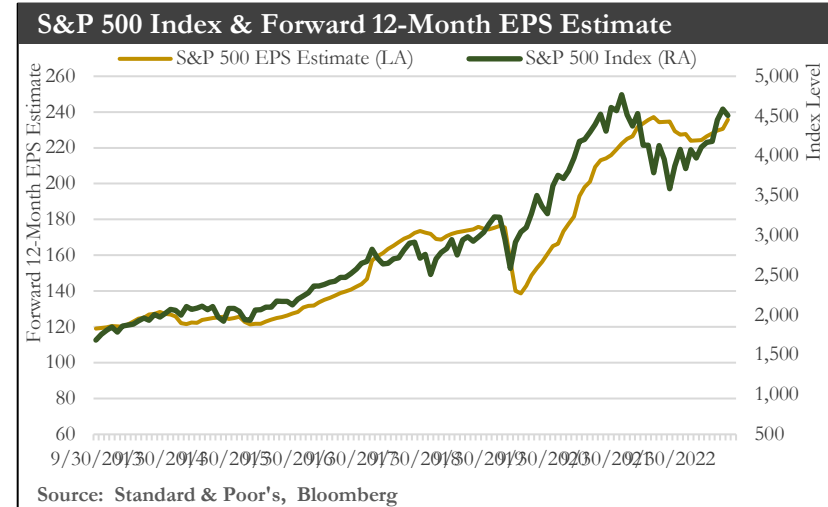
- **Near Miss.** Last week was filled with high stakes political intrigue in Washington as Congress wrestled with passing a federal government budget for fiscal year 2024. A short-term funding bill was passed at the 11th hour on Saturday night avoiding a federal government shutdown on October 1<sup>st</sup>. The agreement allows Congress 45 days to hammer out a more long-lasting solution. Markets appeared to expect this “kick the can down the road” outcome and took the daily headlines in stride.
- **Companies Holding on to Workers.** Slower summer hiring offered fresh signs that the labor market is moderating. Employers added 150,000 jobs in each of the past three months versus 238,000 per month in March through May. But workers are not getting laid off very much as shown by a near 50-year low in initial unemployment claims the week of September 16<sup>th</sup>.
- **Fed Speak.** The Federal Reserve kept interest rates steady at their September meeting. The Fed is forecasting a near perfect landing for the economy next year. At the same time, they maintained their view that one more rate hike is on the table for this year, and they forecast two rate cuts next year. Net-net? Rates should be about where they are now at the end of 2024.



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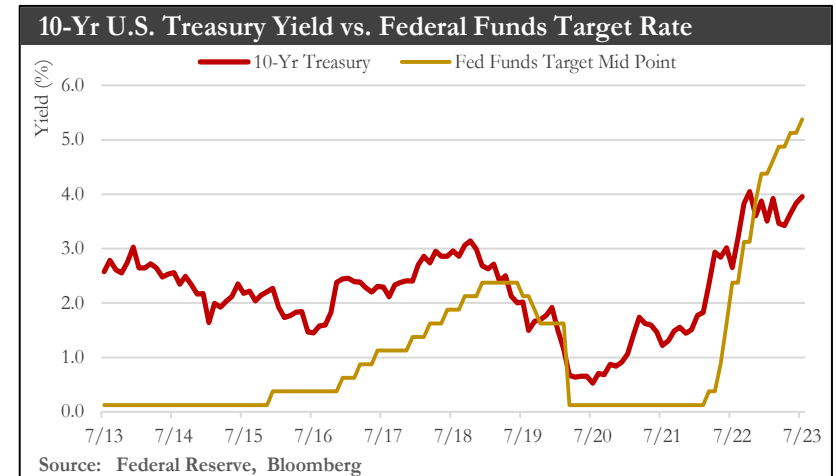
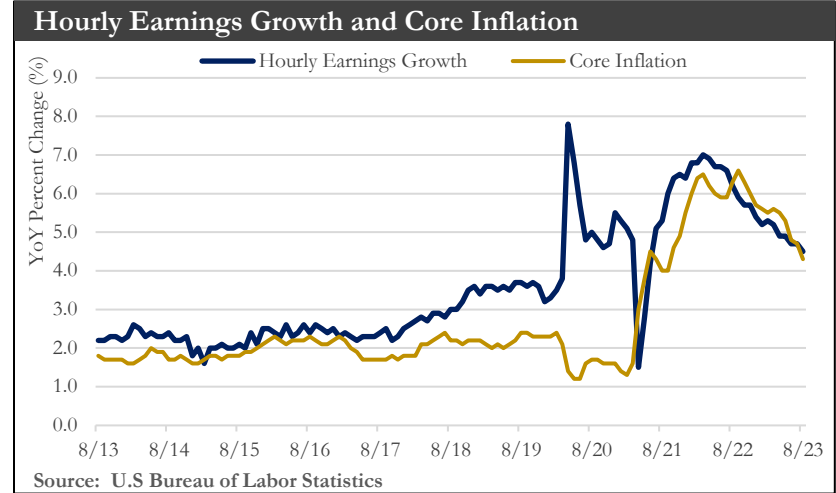
Equities

- Valuations and Market Pull Back Slightly.** As of September 30<sup>th</sup>, according to Bloomberg, the price to earnings ratio, one measure used to value the S&P 500, declined to 18.6 times forward earnings from 18.8 times just a few weeks ago. The current valuation is 21.0 times trailing 12-month earnings. One year ago, the forward P/E was at 16.0 times forward earnings.
- Earnings Guidance.** The Fed's rate hiking cycle and inflationary pressures showed up again in corporate earnings reports for Q2 with a 4% decline in earnings growth. Q3 earnings forecasts have been revised up to minus 0.4% growth (according to Factset) from a year ago. This would be the fifth consecutive quarter of earnings growth decline.
- Top Heavy Market.** The percentage of the S&P 500 made up of the top 10 stocks is the highest in a decade. However, their contribution to the earnings of the S&P 500 is about normal. That means the performance leadership of these stocks has not been driven by improved corporate earnings but investor enthusiasm for what earnings could be. The risk for investors is that these companies will need to deliver very strong earnings in the quarters ahead to justify these current prices.



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- **Inverted Yield Curve Flattens.** The 10-year U.S. Treasury yield has climbed to over 4.6% in recent days. In addition, the inverted yield curve has flattened a bit with the 90-day T-bill yielding 5.4%, the 1-year T-note at 5.4%, the 2-year T-note at 5.1%, the 10-year T-bond at 4.6%. This may well be a signal from bond buyers that they are less fearful of the impact of an economic slowdown and are more concerned about sticky inflation and interest rates staying higher for longer.
- **Higher For Longer?** With after-inflation wage growth still running ahead of the current inflation rate, and consumer spending tracking a 4% gain in the third quarter so far, the Fed is likely to remain guarded in its optimism of how quickly inflation will subside. As savings rates have slowed reliance on credit card debt has increased putting upward pressure on borrowing and rates.
- **Safe Haven for Now.** With the Federal Reserve indicating that they may not be done hiking interest rates, and economic growth continuing in the U.S., the short-term impact on the value of the U.S. dollar should be positive. Higher rates should attract both more domestic and international investors to U.S. fixed income investment and equities after years of ultra-low interest rates.



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