

June 30, 2024

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

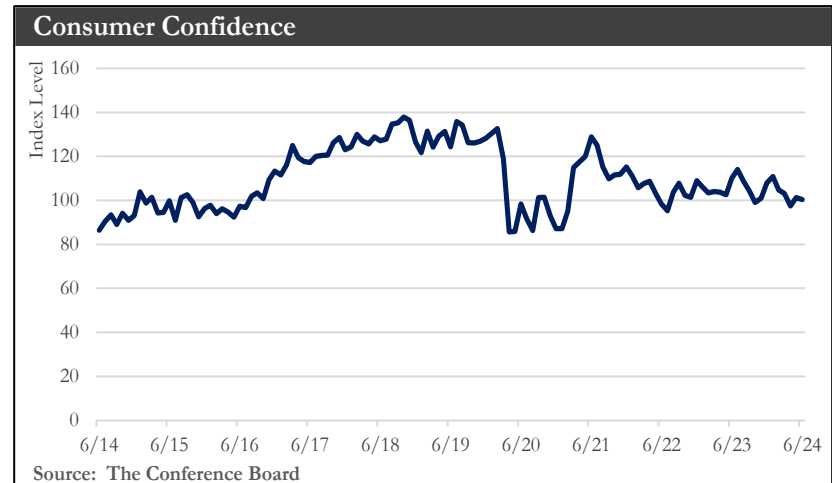
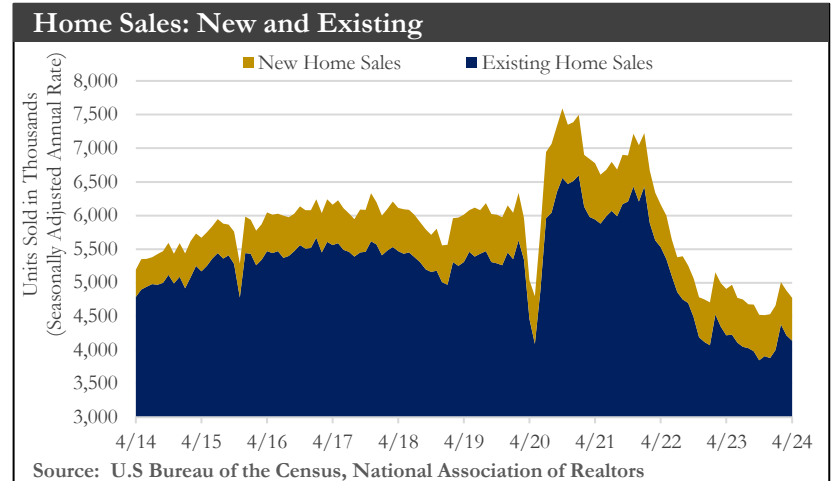
# Capital Market Performance

Index Performance as of: 6/28/2024															
	<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>
<b>Russell</b>								<b>International Equity - Broad Market</b>							
Russell 3000 Value	-0.98	-2.25	6.18	12.91	5.10	8.85	8.07	MSCI EAFE NR	-1.61	-0.42	5.34	11.54	2.89	6.46	4.33
Russell 3000	3.10	3.22	13.56	23.11	8.02	14.11	12.13	MSCI Emerging Mkts NR	3.94	5.00	7.49	12.55	-5.06	3.09	2.79
Russell 3000 Growth	6.42	7.79	19.89	32.21	10.31	18.52	15.73	MSCI Frontier Markets NR	-0.01	0.65	5.93	12.32	-3.21	2.21	0.71
Russell 1000 Value	-0.94	-2.17	6.62	13.03	5.49	8.97	8.20	MSCI ACWI NR	2.23	2.87	11.30	19.38	5.43	10.74	8.43
Russell 1000	3.31	3.57	14.23	23.86	8.72	14.57	12.49	MSCI ACWI ex USA NR	-0.10	0.96	5.69	11.62	0.46	5.54	3.84
Russell 1000 Growth	6.74	8.33	20.70	33.48	11.27	19.32	16.31	MSCI AC Asia ex Japan NR	4.26	7.20	9.75	12.89	-5.77	3.50	4.17
Russell Midcap Value	-1.60	-3.40	4.54	11.95	3.61	8.46	7.57	<b>International Equity - Country Region</b>							
Russell Midcap	-0.66	-3.35	4.96	12.85	2.35	9.43	9.02	MSCI Brazil NR	-3.69	-12.24	-18.70	-7.68	-2.77	-2.13	-0.26
Russell Midcap Growth	1.67	-3.21	5.98	15.05	-0.08	9.92	10.50	MSCI BRIC NR	1.24	6.26	6.27	8.76	-10.35	-0.74	1.93
Russell 2000 Value	-1.69	-3.65	-0.86	10.87	-0.57	7.03	6.20	MSCI China NR	-1.89	7.09	4.74	-1.62	-17.65	-4.25	1.39
Russell 2000	-0.93	-3.28	1.73	10.03	-2.61	6.90	6.97	MSCI Europe NR	-0.98	1.32	9.06	13.68	7.43	8.43	6.74
Russell 2000 Growth	-0.17	-2.92	4.43	9.11	-4.88	6.13	7.36	MSCI India NR	6.95	10.21	16.90	34.36	13.43	13.61	9.44
<b>Standard &amp; Poors</b>								MSCI Japan NR	-0.71	-4.27	6.27	13.15	2.29	6.61	5.53
S&P 500	3.59	4.28	15.29	24.54	9.98	15.01	12.83	MSCI EM Latin Amer NR	-6.06	-12.20	-15.68	-5.59	0.95	0.14	-0.31
Consumer Discretionary	4.89	0.65	5.66	13.08	2.23	10.51	12.22	<b>Fixed Income-Taxable</b>							
Consumer Staples	-0.18	1.35	8.98	8.15	7.13	9.44	8.91	Bloomberg US Agg TR	0.95	0.07	-0.71	2.63	-3.02	-0.23	1.34
Energy Sector	-1.29	-2.42	10.93	15.79	24.23	12.84	3.25	Bloomberg US Agg 1-3 YR	0.56	0.95	1.41	4.92	0.56	1.20	1.34
Financials Sector	-0.89	-2.03	10.16	24.15	5.84	10.50	10.52	Bloomberg US Agg 3-5 YR	0.80	0.62	0.51	4.47	-1.07	0.61	1.46
Health Care Sector	1.91	-0.96	7.81	11.68	6.74	11.52	11.06	Bloomberg US Agg 5-7 YR	0.99	0.24	-0.26	3.47	-2.23	0.19	1.42
Industrials Sector	-0.94	-2.90	7.75	15.47	7.73	11.48	10.36	Bloomberg U.S. T-Bills	0.41	1.34	2.68	5.50	3.11	2.17	1.49
Information Technology	9.32	13.81	28.24	41.78	19.77	27.13	22.75	Bloomberg US Govt	1.00	0.11	-0.83	1.61	-3.19	-0.61	0.92
Materials Sector	-3.03	-4.50	4.05	8.69	4.52	10.88	8.13	Bloomberg US Credit	0.67	-0.05	-0.46	4.42	-2.94	0.54	2.21
Real Estate Sector	2.01	-1.91	-2.45	5.60	-1.35	4.40	6.25	Bloomberg US Corp HY	0.94	1.09	2.58	10.44	1.64	3.91	4.30
Communication Services	4.80	9.38	26.68	44.87	6.42	14.70	9.92	Bloomberg US TIPS	0.78	0.79	0.70	2.71	-1.33	2.07	1.91
Utilities Sector	-5.51	4.66	9.44	7.82	5.88	6.11	8.03	Bloomberg Global-Agg	0.14	-1.10	-3.16	0.93	-5.49	-2.02	-0.42
<b>Other U.S. Equity</b>								Bloomberg Gbl Agg ex-USI	-0.51	-2.11	-5.26	-0.66	-7.47	-3.56	-1.85
Dow Jones Industrial Avg.	1.23	-1.27	4.79	16.02	6.42	10.31	11.29	Bloomberg EM USD Agg	0.63	0.68	2.22	7.95	-2.22	0.47	2.51
NASDAQ 100 Stock	6.27	8.05	17.47	30.77	11.49	21.74	18.89	<b>Fixed Income-Tax Exempt</b>							
<b>Alternative Investments</b>								Bloomberg Municipal	1.53	-0.02	-0.40	3.21	-0.88	1.16	2.39
Alerian MLP	4.45	3.28	17.56	35.49	22.41	11.92	1.91	Bloomberg Muni 3 YR	0.80	0.36	0.08	2.63	0.01	0.91	1.18
Bloomberg Commodity	-1.54	2.89	5.14	5.00	5.65	7.24	-1.29	Bloomberg Muni 5 YR	1.05	-0.42	-0.79	2.26	-0.60	0.83	1.56
FTSE Nareit Equity REITs	2.89	0.06	-0.13	7.79	0.30	3.90	5.89	Bloomberg Muni 7 YR	1.25	-0.85	-1.33	2.06	-0.81	0.93	1.99
S&P Global Nat Res	-4.37	-1.77	0.36	7.81	6.34	8.37	4.49	Bloomberg Muni HY	2.45	2.59	4.14	8.90	0.12	2.99	4.66
S&P N.Amer Nat Res	-2.62	-1.42	9.60	17.03	17.09	12.11	2.22								

Source: Bloomberg

# Economic & Market Overview

- **Inflation Cooling?** The Federal Reserve's preferred gauge of inflation, the core personal consumption index (PCE), rose just 0.2% in May. The index decelerated on both a monthly and annual basis. As of May, on an annual basis the index slipped from 2.8% to 2.6%. This downward movement is likely to be a welcome sign for Fed members but given the upswing in inflation early in the year caution in cutting rates should be expected.
- **Housing in a Tangle.** Home prices rose another 5.8% in May as buyers stepped back and home sales fell. Total housing inventory is up 18.5% from a year ago as high prices and elevated mortgage rates keep buyers on the sidelines. With interest rates likely to remain where they are for some months, there is not likely to be much of a reprieve for sellers.
- **Consumer Confidence Slipping.** Consumer confidence declined in May as the outlook for business conditions, the job market, and household income became more modest according to a survey conducted by The Conference Board. While opinions on present conditions remained about the same as in April, the six-month outlook deteriorated. Only 12.5% of consumers expect business conditions to be better six months from now. This is the lowest level in 15 years.



# Economic & Market Overview

- Market Valuations Continue to Stretch.** The current forward P/E of the S&P 500 is almost 21.7 times earnings which is higher than the last 5-year and 10-year price to earnings multiple. Investors remain enthusiastic about the U.S. stock market. One measure of this sentiment is the Chicago Board Options Exchange Volatility Index (VIX) which has continued to trade well below the historical average of 20. As of the end of May, VIX was about 12.5.
- Q2 Earnings Forecast.** Q2 corporate earnings estimate for the S&P 500 was recently reported at 8.8% down from 9.0% estimated at the end of March (Source: Factset). If earnings growth is in fact that high, it would mark the fastest earnings growth for the index since early 2022. It is important to remember much of this growth is being driven by a handful of Tech stocks rather than broad success across all 500 stocks.
- When Will This Revert?** The remarkable performance dominance of the mega-cap stocks in recent years has distorted stock valuation metrics from historic norms. The focus of investor capital into these mega-cap stocks has both inflated the current price earnings multiple of the S&P 500 about 30% above the 16.6 historical median and the PE multiple of smaller companies has traded about 12% below its historic median.



Source: Yahoo Finance



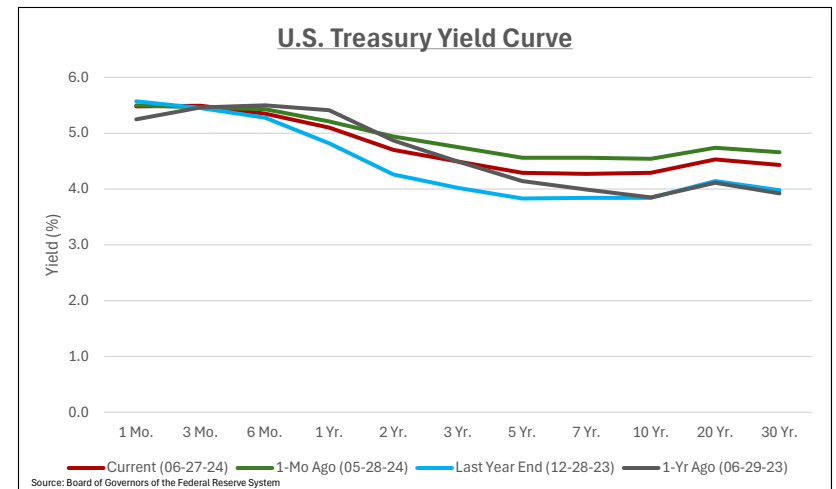
Sources: Wisdom Tree, Factset, Frank Russell

# Economic & Market Overview

- Rates Settling Lower...for Now?.** Interest rate volatility was on the rise in June as bond market investors reacted to competing news releases about the performance of the U.S. economy. While the economy overall appears to be on a gradual slowing path, good news about the job market and consumer spending as of late has raised some concerns about how soon the Fed will feel ready to cut interest rates.
- Shape of the Yield Curve.** Half-way through 2024 interest rates across the yield curve are higher than they were at the beginning of the year. Rising inflation through the first quarter of the year caused investors to change their thinking about how many or even if the Federal Reserve would cut interest rates this year.
- Quality Income.** U.S. corporate interest payments on bond debt has plunged in the past 4-5 years. This is likely because companies borrowed heavily and for the long-term during the pandemic - less than 10% of this debt matures through 2030. What that means is that income is back in fixed income after years of near zero interest rates. 86% of global fixed income is now yielding over 4% versus less than 20% in the decade prior to the pandemic.



Source: Yahoo Finance



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