

# PERFORMA



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Q2 2023

**QUARTERLY MARKET UPDATE**

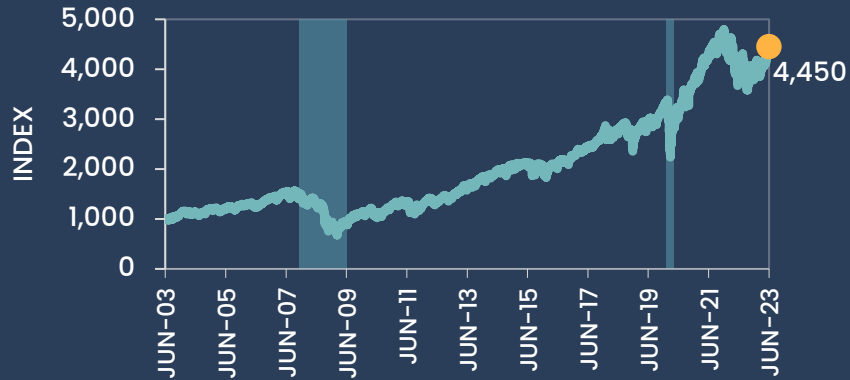
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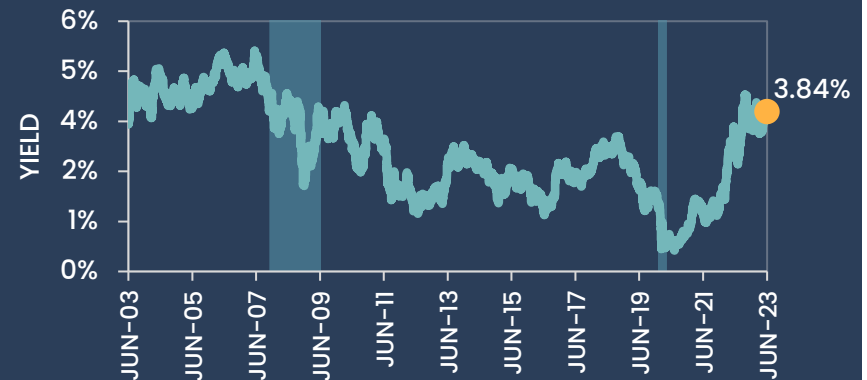
# QUARTERLY MARKET UPDATE

## MARKET PERFORMANCE | 20 YEARS THROUGH Q2 2023

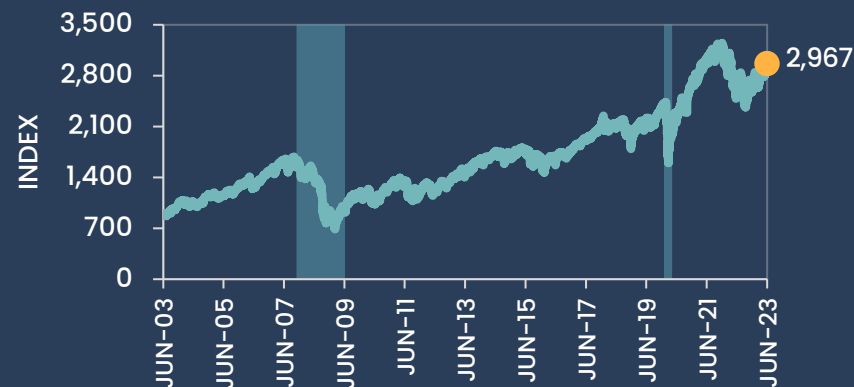
### U.S. EQUITIES | S&P 500



### RATES | 10-YR U.S. TREASURIES



### GLOBAL EQUITIES | MSCI WORLD



### Q2 MARKET PERFORMANCE

- THE S&P 500 RETURNED 8.74% FOR THE QUARTER AND IS NOW UP 19.59% FOR THE TRAILING YEAR.
- THE YIELD ON 10-YR U.S. TREASURIES INCREASED 37 BPS DURING THE QUARTER AND IS UP 82 BPS FOR THE TRAILING YEAR.
- THE MSCI WORLD INDEX RETURNED 6.99% FOR THE QUARTER AND IS UP 19.17% FOR THE TRAILING YEAR.

 = RECESSION

# QUARTERLY MARKET UPDATE

## MARKET PERFORMANCE | Q2 2023

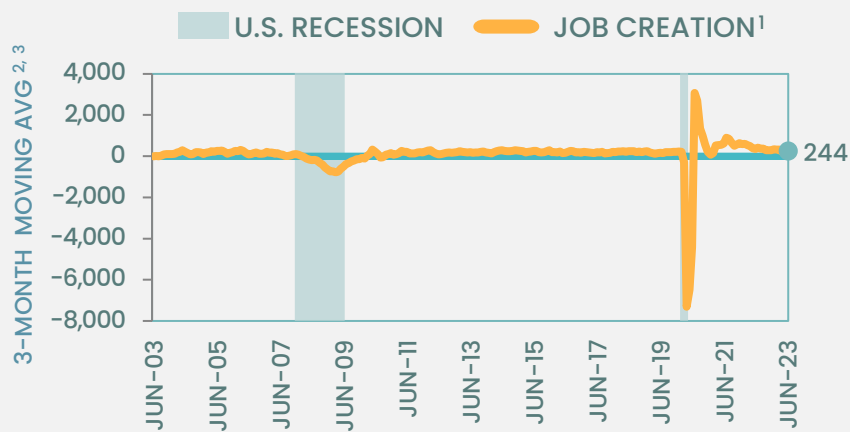
	MACRO			FIXED INCOME			EQUITY			
TIME PERIOD	US\$ <sup>1</sup>	10-YR U.S. TREASURY (BPS)	OIL <sup>2</sup>	CASH <sup>3</sup>	INTERMEDIATE GOV/CREDIT <sup>4</sup>	HIGH YIELD <sup>5</sup>	S&P 500	MSCI WORLD	RUSSELL 2000	RUSSELL 3000
QTD	0.40%	37	-6.65%	1.22%	-0.81%	1.60%	8.74%	6.99%	5.21%	8.39%
TRAILING 1 YEAR	-1.69%	82	-33.21%	3.73%	-0.10%	8.88%	19.59%	19.17%	12.31%	18.95%

- OPEC+ ANNOUNCED PRODUCTION CUTS IN EARLY APRIL WHICH BRIEFLY SENT OIL PRICES HIGHER, BUT THE RALLY WAS SHORT LIVED AND PRICES FINISHED THE QUARTER DOWN 6.65% (DOWN 33.21% FOR THE TRAILING YEAR).
- AFTER TEN CONSECUTIVE RATE INCREASES, INCLUDING ONE IN MAY, THE FED LEFT RATES UNCHANGED AT THEIR JUNE MEETING. THE JUNE PAUSE IS NOT EXPECTED TO MARK THE END OF THE TIGHTENING CYCLE, WITH UPDATED FED FORECASTS PENCILING IN TWO ADDITIONAL 0.25% RATE HIKES BY YEAR END.
- AFTER RALLYING DURING Q1, INTEREST RATES ACROSS THE MATURITY SPECTRUM REVERSED COURSE AND MOVED MEANINGFULLY HIGHER AS PRICE DECLINES ATE INTO FIXED INCOME RETURNS DURING Q2.
- EQUITY MARKETS BENEFITED FROM THE EMERGENCE OF AN OPTIMISTIC NARRATIVE CENTERED AROUND DECREASED BANKING SECTOR VOLATILITY, SLOWING FED RATE HIKES, RESILIENT ECONOMIC DATA AND MODERATING INFLATION – POSTING SOLID GAINS FOR THE QUARTER.

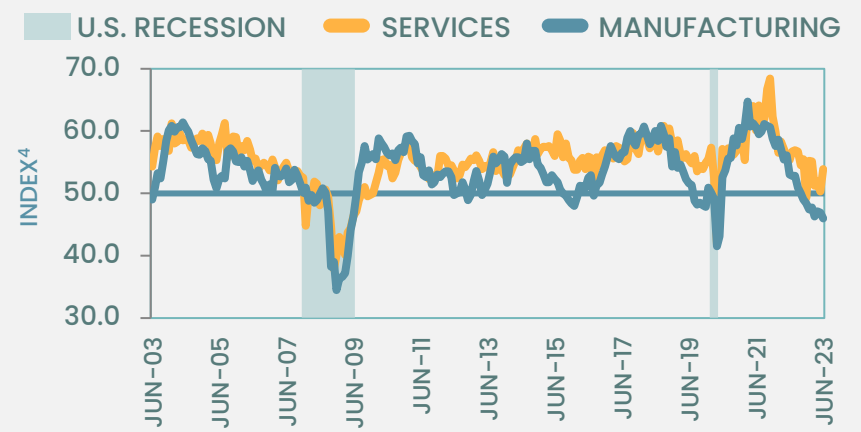
# QUARTERLY MARKET UPDATE

## ECONOMIC INDICATORS | 20 YEARS THROUGH Q2 2023

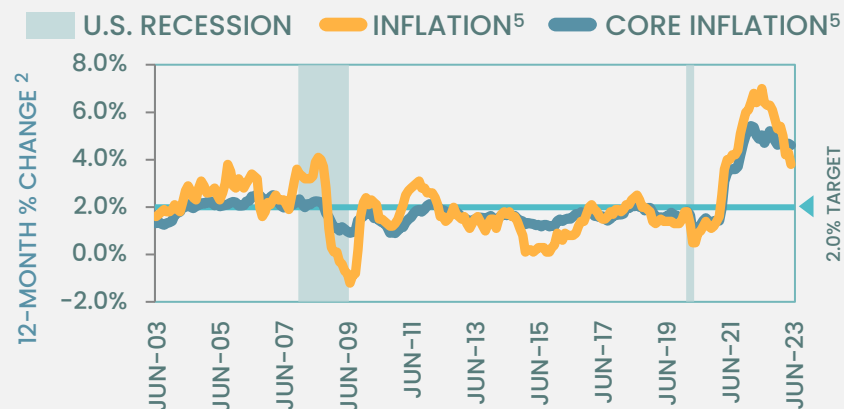
### LABOR MARKET | JOB CREATION



### ECONOMIC ACTIVITY | ISM SURVEYS



### INFLATION



### COMMENTS

- THE LABOR MARKET REMAINS QUITE STRONG BY ANY HISTORICAL COMPARISON. JOB CREATION IS RUNNING WELL ABOVE LONG-TERM HISTORICAL AVERAGES; ANY EVIDENCE OF SOFTENING CONDITIONS THAT THE FED WANTS TO SEE REMAINS HARD TO FIND.
- DURING Q2, MANUFACTURING SECTOR DATA REMAINED IN CONTRACTIONARY TERRITORY WITH READINGS WELL BELOW 50 IN ALL THREE MONTHS (LAST EIGHT IN A ROW). MEANWHILE, SERVICE SECTOR DATA REMAINED IN EXPANSIONARY TERRITORY WITH READINGS ABOVE 50 THROUGHOUT THE QUARTER.
- INFLATION IS SLOWLY MODERATING BUT BOTH HEADLINE AND CORE INFLATION ARE STILL WELL ABOVE THE FED'S 2% TARGET AS HOUSING INFLATION REMAINS AN OUTSIZED CONTRIBUTOR.

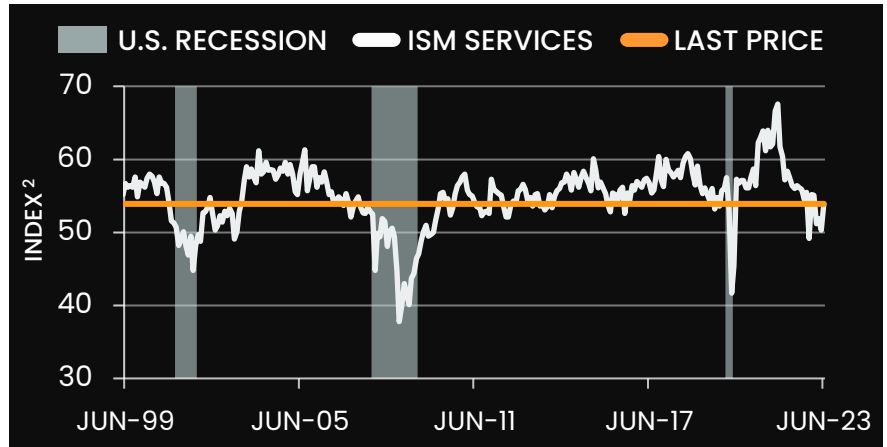
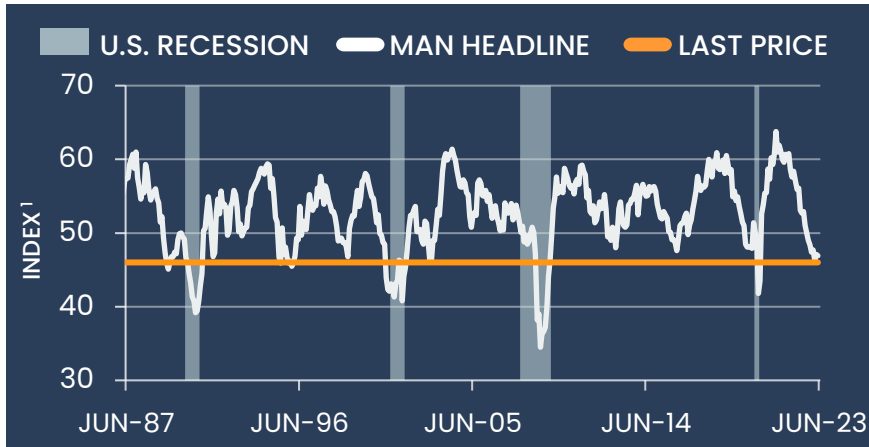
# QUARTERLY MARKET UPDATE

## MANUFACTURING | HISTORICALLY LOW

## SERVICES | HANGING TOUGH

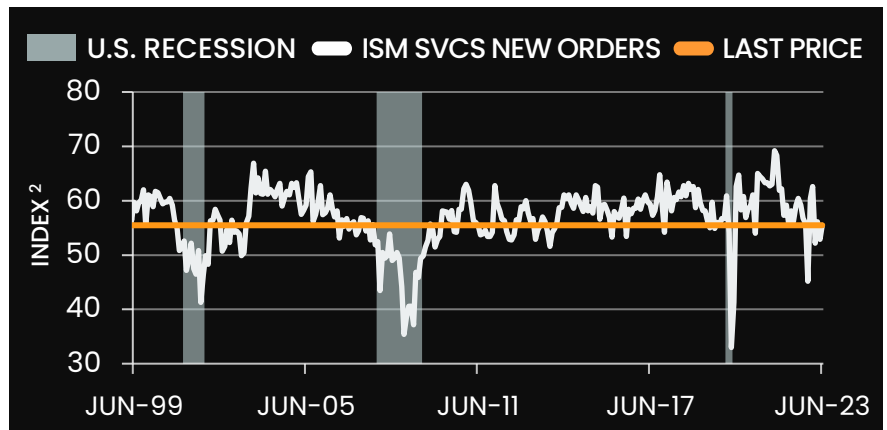
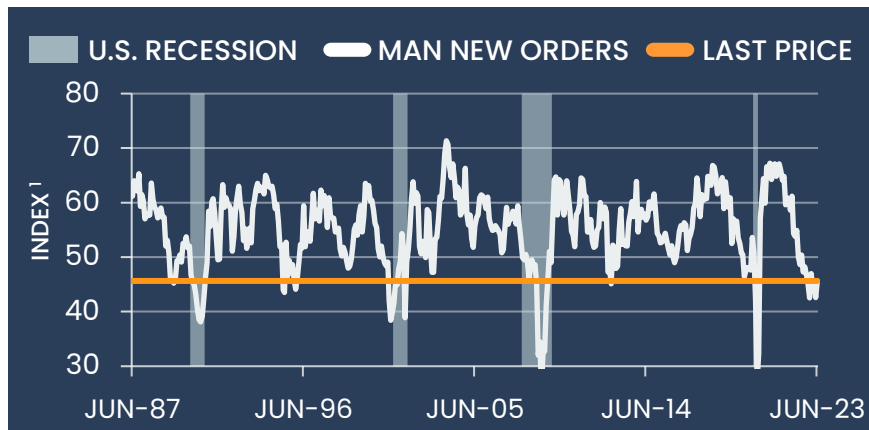
### MANUFACTURING | HEADLINE

### SERVICES | HEADLINE



### MANUFACTURING | NEW ORDERS

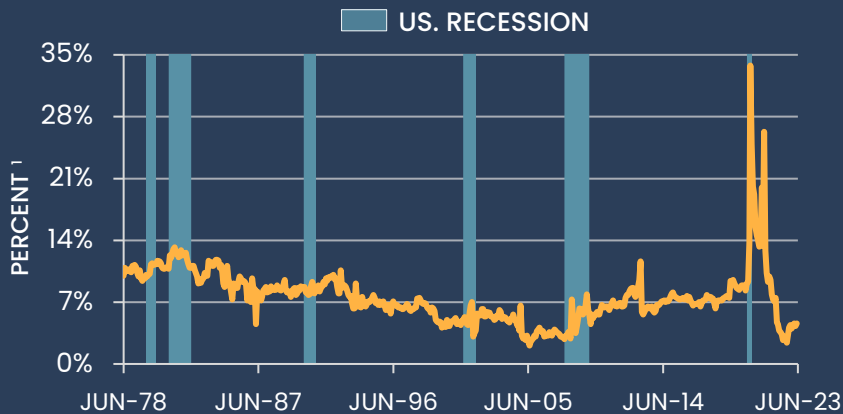
### SERVICES | NEW ORDERS



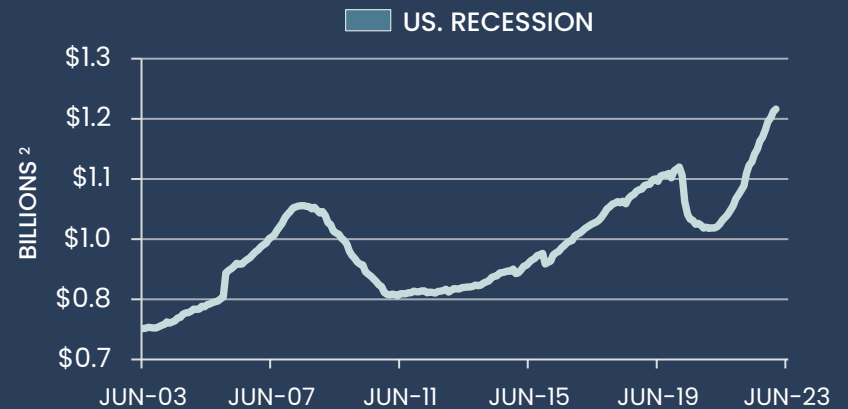
# QUARTERLY MARKET UPDATE

## U.S. CONSUMER | IT REMAINS A CHALLENGING ENVIRONMENT

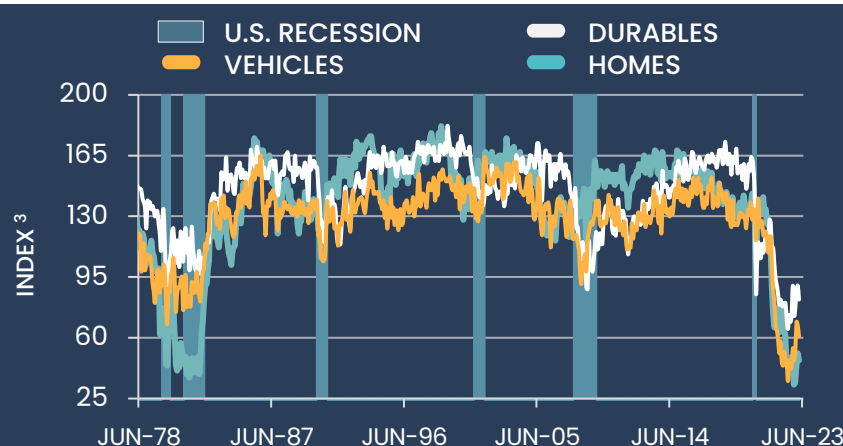
### U.S. SAVING RATE



### REVOLVING CONSUMER CREDIT



### U. MICHIGAN BUYING CONDITIONS



### COMMENTS

- AFTER REACHING A CYCLE LOW LAST JUNE, THE U.S. SAVINGS RATE HAS CREPT HIGHER RECENTLY BUT IS STILL SOMEWHAT BELOW LONG-RUN HISTORICAL AVERAGES.
- MODERATING INFLATION HAS HELPED THE U.S. CONSUMER. NONETHELESS, RISING CREDIT CARD DEBT SUGGESTS THE U.S. CONSUMER IS SOMEWHAT STRETCHED.
- BUYING CONDITIONS FOR HOMES, LARGE HOUSEHOLD DURABLES AND VEHICLES ARE ALL AT HISTORICALLY LOW LEVELS THAT ARE CONSISTENT WITH RECESSION.

# QUARTERLY MARKET UPDATE

## KEY THEME SUMMARY | Q2 2023

### 1. A TALE OF TWO HALVES

- FOR THE FIRST SIX WEEKS OF THE QUARTER PRICE ACTION WAS UNINSPIRED AND VERY MUCH RANGEBOUND AS TREASURY YIELDS AND RISK MARKETS MOVED SIDEWAYS IN WHAT WAS A RATHER CAUTIOUS ENVIRONMENT.
- AROUND MID-MAY A MORE OPTIMISTIC NARRATIVE EMERGED AS BANKING SECTOR VOLATILITY SUBSIDED, ECONOMIC ACTIVITY PROVED RESILIENT AND INFLATION GRADUALLY MODERATED.
- THE POSITIVE SHIFT IN MARKET SENTIMENT SENT INTEREST RATES AND RISK ASSETS MEANINGFULLY HIGHER INTO QUARTER END.

### 2. U.S. LABOR MARKET STILL HOT

- DESPITE THE FEDERAL RESERVE'S BEST EFFORTS, WE HAVE SEEN LITTLE EVIDENCE OF ANY SOFTENING IN LABOR MARKET CONDITIONS.
- REMEMBER, THE FED BELIEVES THAT RETURNING INFLATION TO ITS 2% TARGET WILL LIKELY REQUIRE SOME WEAKENING IN LABOR MARKET CONDITIONS.
- MEANWHILE, JOB CREATION AVERAGED 244K PER MONTH DURING THE SECOND QUARTER, FILINGS FOR UNEMPLOYMENT BENEFITS REMAINED HISTORICALLY LOW AND JOB OPENINGS ARE STILL ELEVATED ALBEIT SOMEWHAT BELOW THE RECENT HIGHS.

### 3. MONETARY POLICY AND INFLATION

- DURING THE QUARTER WE SAW CONTINUED IMPROVEMENT IN HEADLINE YEAR-OVER-YEAR INFLATION MEASURES.
- WITH THAT BEING SAID, THE LATEST READING ON THE FED'S PREFERRED MEASURE OF CORE INFLATION, WHICH STRIPS OUT THE VOLATILE FOOD AND ENERGY COMPONENTS AND IS THOUGHT TO BE A BETTER PREDICTOR OF FUTURE INFLATION, CAME IN WELL ABOVE THEIR INFLATION TARGET AT 4.6%.
- WITH INFLATION STILL ELEVATED AND A HISTORICALLY STRONG LABOR MARKET THE FED HAS STRUCK A MORE HAWKISH TONE RECENTLY AND IS NOW FORECASTING AT LEAST TWO MORE 0.25% RATE HIKES BY YEAR END 2023.

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