Monthly Market Review

Multi-Asset Class | April 2023

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 3.67% in March.

► Within the S&P, seven of the 11 sectors posted positive returns. The Information Technology sector was the best performer of the month, returning 10.93%. Telecommunications was second best, posting a return of 10.39%. Financials was the worst-performing sector, posting a return of -9.55%.

► Negative returns were seen across smaller market capitalizations, with small-caps (Russell 2000) returning -4.78%, while mid-caps (Russell Mid Cap Index) returned -1.53%, while large-caps (Russell 1000 Index) saw a positive return of 3.16%. Growth stocks outperformed value stocks across all capitalizations.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 2.45%. Developed markets, represented by the MSCI EAFE Index, saw returns of 2.48%, and emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of 3.03% in March.

► Within the ACWI ex-U.S. Index, eight of the 11 sectors posted positive returns. Information Technology was the best-performing sector internationally, with a return of 6.76%. Telecommunications was second best, posting a return of 5.88%. Financials was the worst performer, posting a return of -4.01%.

► Regionally, non-U.S. equities saw mixed returns, with Japan performing the best, returning 3.96%, while the UK performed the worst, returning -0.62%.

Fixed Income

► Treasury yields fell sharply across the curve in March, as the banking sector worries led to reduced rate hike expectations and flight-to-quality from investors. On the long end, the 10-year saw 45 basis points (bps) decrease in rates and the 30-year saw a decrease of 27 bps, while on the shorter end, the 2- and 5-year rates decreased by 79 and 74 bps respectively, leading the Broad Treasury Index to return 2.96% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned 2.54% in March. Investment-grade (IG) credit as a whole returned 2.74%, AAA-rated bonds returned 2.70%, AA-rated bonds returned 3.10%, A-rated bonds returned 2.68%, and BBB-rated bonds returned 2.73%. High yield corporates saw a return of 1.07% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned –2.54%. Performance was mixed, with three of the nine real estate sectors seeing positive returns. Data Centers did the best, returning 2.14%. The worst performing sector of the month was Office, returning -15.32%

► The active contract for West Texas Intermediate (WTI) crude fell to $75.67/barrel in March, down from $77.05/barrel at the end of February, and down $24.61 year-over-year.

Items to Watch

► Following the volatility caused by last month bank failures, Central banks face an increasingly difficult choice of raising interest rates to slow inflation or pausing increases to temper stress on the financial system. The European Central Bank (ECB) decided to continue its effort to slow inflation with a 50 basis point hike in March, but said it was keeping a close watch on "current market tensions" and "stands ready to respond as necessary to preserve price stability and financial stability in the euro area." Current market predictions foresee the ECB making a 25-basis point increase at the next meeting In May.

► In March, the Federal Reserve (Fed) also made the decision to raise the benchmark Fed Funds rate, bumping it up by 25 bps to a range of 4.75-5.00%. Looking forward, the Fed's latest Summary of Economic Projections suggests rates will tick slightly higher in 2023, with the median expectation for the target rate to peak at 5.1% this year.

► Supporting expectations of a possible rate increase is the continued strength in the labor market, as the March employment report saw unemployment falling back down to 3.5%. Total payrolls increased by 236,000 on the month, a slight slowdown from last month but overall continuing the trend of strong readings from the beginning of the quarter. Wage growth, however, slowed in March, at 4.2% year over year, down from 4.6% in February, a possible sign of easing inflationary pressures.

► Despite strong employment numbers and easing inflation, consumer sentiment declined for the first time in four months. The Michigan Consumer Sentiment Index fell to 62 in March 2023, down from 67 last month, as consumers increasingly expect a recession ahead.

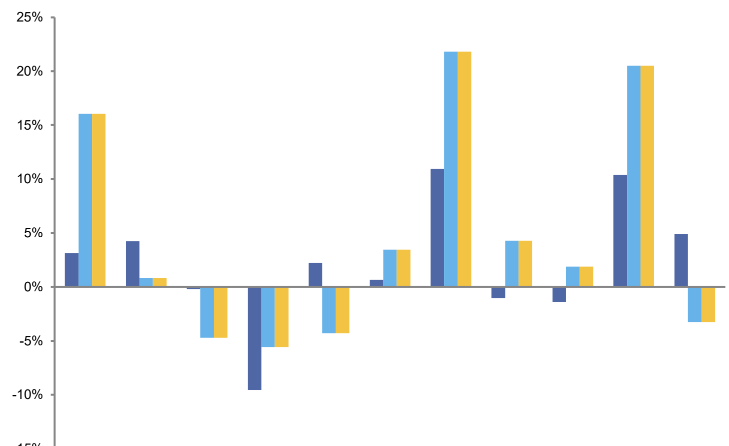
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	3.67%	7.48%	7.48%	-7.75%
Russell 3000	2.67%	7.17%	7.17%	-8.61%
Russell 2000	-4.78%	2.73%	2.73%	-11.63%
Russell 1000	3.16%	7.45%	7.45%	-8.42%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	2.45%	6.87%	6.87%	-5.07%
MSCI EAFE	2.48%	8.47%	8.47%	-1.38%
MSCI Emerging Markets	3.03%	3.95%	3.95%	-10.70%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	2.54%	2.96%	2.96%	-4.78%
Bloomberg Global Agg	3.16%	3.01%	3.01%	-8.07%
Bloomberg U.S. HY	1.07%	3.57%	3.57%	-3.34%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-2.54%	2.68%	2.68%	-19.22%
Bloomberg Commodity	-0.61%	-6.47%	-6.47%	-15.19%

Economic Indicators

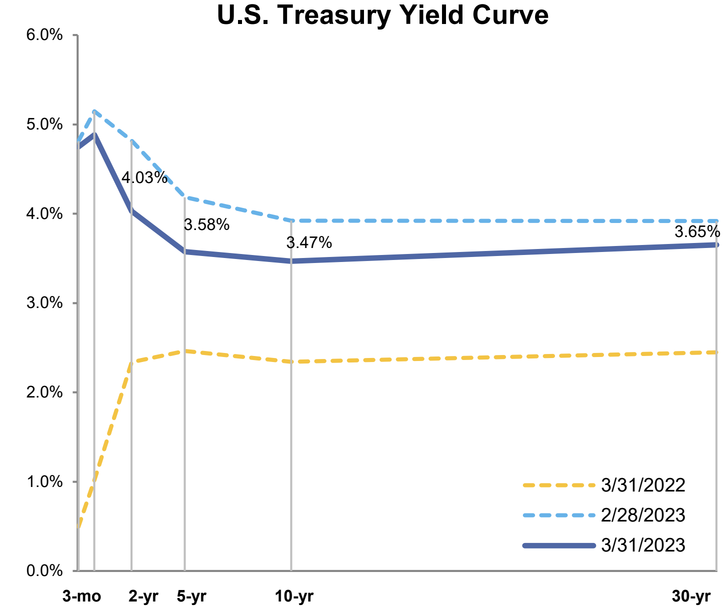
Domestic	Current	Previous Month
Unemployment Rate (%)	3.5%	3.6%
Initial Jobless Claims (4 week average)	198.3 K	196.3 K
CB Leading Economic Indicators	-0.3	-0.3
Capacity Utilization	79.1%	79.2%
GDP (annual growth rate)	2.6%	3.2%
University of Michigan Consumer Confidence	62.0	67.0
New Home Starts	640 K	633 K
Existing Home Sales	4.6 MM	4 MM
Retail Sales (YoY)	6.8%	8.6%
U.S. Durable Goods (MoM)	-1.0%	-5.0%
Consumer Price Index (YoY)	6.0%	6.4%
Producer Price Index (MoM)	-0.3%	1.4%
Developed International*	**12/31/2022**	**9/30/2022**
Market GDP (annual rate)	1.6%	2.8%
Market Unemployment	4.2%	4.3%

Stock Market Sector Performance (S&P 500)

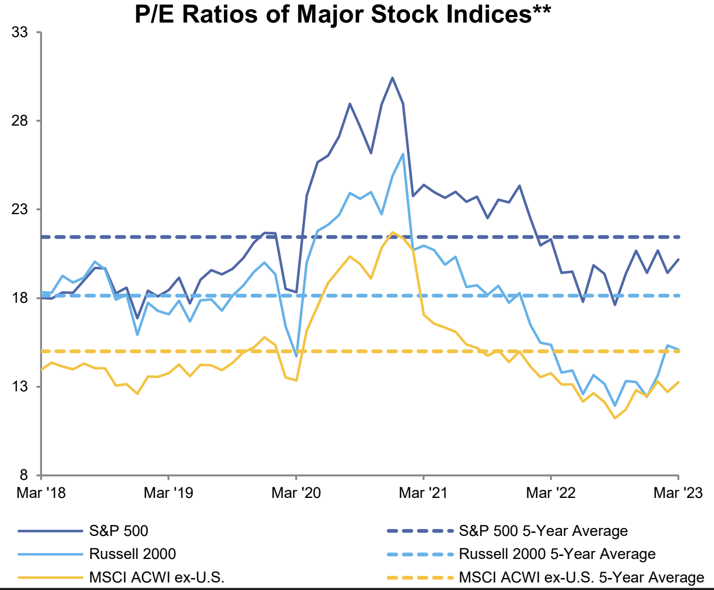


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	3.12%	4.23%	-0.21%	-9.55%	2.22%	0.66%	10.93%	-1.04%	-1.40%	10.39%	4.92%
QTD	16.05%	0.83%	-4.71%	-5.56%	-4.31%	3.47%	21.82%	4.29%	1.88%	20.50%	-3.24%
YTD	16.05%	0.83%	-4.71%	-5.56%	-4.31%	3.47%	21.82%	4.29%	1.88%	20.50%	-3.24%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of March 31, 2023, unless otherwise noted.
**Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of December 31, 2022 due to release dates of numerous countries.*
***P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.*

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