Monthly Market Review

Multi-Asset Class | June 2023

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 0.43% in May.

► Within the S&P, only three of the 11 sectors posted positive returns. The Information Technology sector, fueled by the promise of artificial intelligence, was the month's best performer, returning 9.46%. Telecommunications was the second best performer, posting a return of 6.21%. Energy was the worst-performing sector, posting a return of -10.04%.

► Negative returns were seen across smaller market capitalizations, with small-caps (Russell 2000) returning -0.93% and mid-caps (Russell Mid Cap Index) returning -2.79%. Meanwhile, large-caps (Russell 1000 Index) saw a positive return of 0.47%, and 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 -3.64%. Developed markets, represented by the MSCI EAFE Index, saw returns of -4.23%, and emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of -1.68% in May.

► Within the ACWI ex-U.S. Index, only one of the 11 sectors posted positive returns. Information Technology was the best-performing sector internationally, with a return of 7.40%. Industrials were second best, posting a return of -2.67%. Energy was the worst performer, posting a return of -7.91%.

► Regionally, non-U.S. equities saw mixed returns, with Japan performing the best, returning 1.86%. Pacific ex-Japan performed the worst, returning -5.96%.

Fixed Income

► Treasury yields rose across the curve in May. On the long end, the 10-year saw a 22 basis points (bps) increase in rates and the 30-year saw an increase of 18 bps. On the shorter end, the 2- and 5-year rates increased by 40 and 27 bps, respectively, leading the Broad Treasury Index to return -1.23% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned -1.09% in May. Investment- grade (IG) credit as a whole returned -1.39%, AAA-rated bonds returned -0.90%, AA-rated bonds returned -1.51%, A-rated bonds returned -1.42% and BBB-rated bonds returned -1.43%. High yield corporates saw a return of -0.92% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned -3.22%. Performance was mixed, with two of the nine real estate sectors seeing positive returns. Data Centers did the best, returning 3.43%. The worst performing sector of the month was Office, returning -7.30%.

► The active contract for West Texas Intermediate (WTI) crude fell to $68.09/barrel in May, down from $76.78/barrel at the end of April and down $46.58 year-over-year.

Items to Watch

► Banks reported tighter lending standards and weaker demand for commercial and industrial (C&I) loans across all firm sizes during the first quarter. The net percentage of domestic banks tightening standards for C&I loans to large- and middle-market firms was 46.0%, and 46.7% for loans to small firms at the end of the first quarter, up from 44.8% and 43.8%, respectively, in the previous survey from year-end. Looking forward, more than half also said they expect to tighten small business lending standards further in 2023.

► On the household side, 30.4% of banks have tightened standards for consumer credit card loans, which is sharply higher than a year ago. As the cost of credit increases and its availability becomes more restricted, the likely slowdown in spending will serve as an additional headwind to the economy.

► Overall inflation, as measured by consumer prices (CPI), continued to cool, rising 4.9% YoY in April. This marked the slowest increase since June 2021. A resilient labor market also enabled personal income to rise 4.3% YoY in April, which helped to narrow the inflation gap for consumers. However, the personal savings rate remained relatively low at 4.9% in April.

► U.S. consumer confidence, as measured by the Conference Board (CB) Consumer Confidence survey, slipped to a six-month low of 102.3 in May, with concerns about the labor market and the now-resolved debt ceiling crisis weighing on sentiment.

► On the other hand, European consumers saw confidence increase in May, hitting a one-year high at -17.4. This comes as inflation in the Euro Area continues to cool, with readings falling to 6.1% last month, the lowest rate since February 2022.

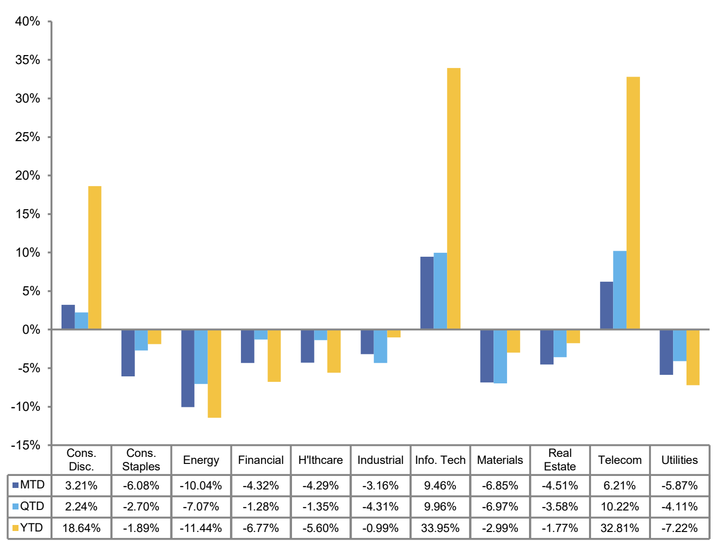
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	0.43%	2.00%	9.64%	2.89%
Russell 3000	0.39%	1.46%	8.73%	2.01%
Russell 2000	-0.93%	-2.71%	-0.06%	-4.71%
Russell 1000	0.47%	1.71%	9.29%	2.42%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	-3.64%	-1.96%	4.77%	-1.41%
MSCI EAFE	-4.23%	-1.53%	6.81%	3.06%
MSCI Emerging Markets	-1.68%	-2.79%	1.05%	-8.49%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	-1.09%	-0.49%	2.46%	-2.14%
Bloomberg Global Agg	-1.95%	-1.52%	1.44%	-4.48%
Bloomberg U.S. HY	-0.92%	0.07%	3.64%	0.05%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-3.22%	-2.41%	0.21%	-12.07%
Bloomberg Commodity	-6.08%	-7.15%	-13.16%	-25.41%

Economic Indicators

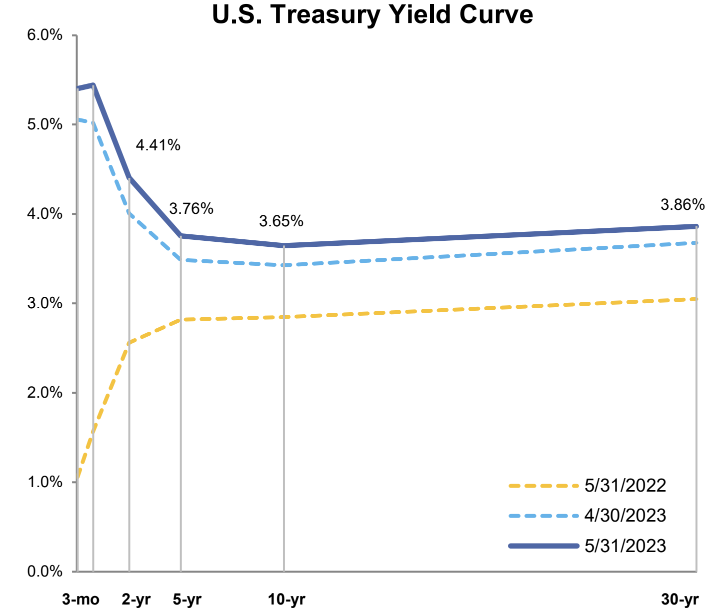
Domestic	Current	Previous Month
Unemployment Rate (%)	3.7%	3.4%
Initial Jobless Claims (4 week average)	229.5 K	232 K
CB Leading Economic Indicators	-0.6	-1.2
Capacity Utilization	79.7%	79.4%
GDP (annual growth rate)	1.3%	2.6%
University of Michigan Consumer Confidence	59.2	63.5
New Home Starts	683 K	656 K
Existing Home Sales	4.3 MM	4.4 MM
Retail Sales (YoY)	2.1%	2.9%
U.S. Durable Goods (MoM)	1.1%	3.3%
Consumer Price Index (YoY)	4.9%	5.0%
Producer Price Index (MoM)	0.5%	-1.3%
Developed International*	**3/31/2023**	**12/31/2022**
Market GDP (annual rate)	2.1%	1.9%
Market Unemployment	4.2%	4.2%

Stock Market Sector Performance (S&P 500)

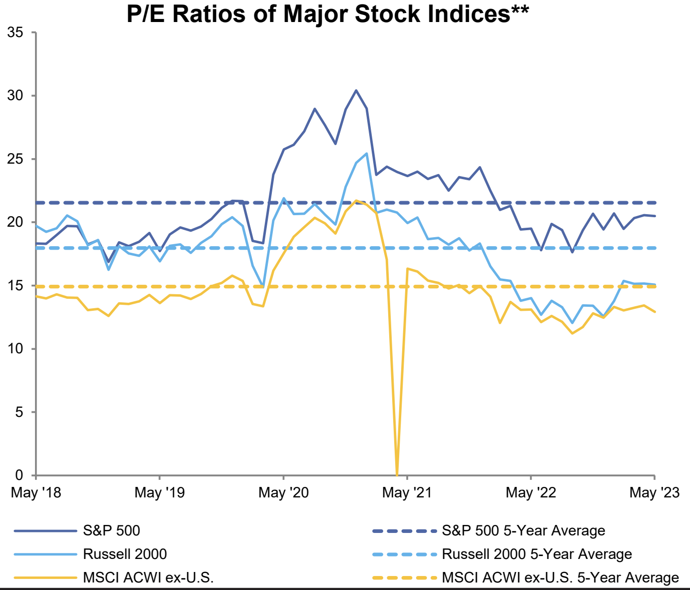


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	3.21%	-6.08%	-10.04%	-4.32%	-4.29%	-3.16%	9.46%	-6.85%	-4.51%	6.21%	-5.87%
QTD	2.24%	-2.70%	-7.07%	-1.28%	-1.35%	-4.31%	9.96%	-6.97%	-3.58%	10.22%	-4.11%
YTD	18.64%	-1.89%	-11.44%	-6.77%	-5.60%	-0.99%	33.95%	-2.99%	-1.77%	32.81%	-7.22%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of May 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 March 31, 2023 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.*