Monthly Market Review

Multi-Asset Class | May 2023

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 1.56% in April. Underlying this total gain was extremely strong performance by market leaders such as Apple and Microsoft, while market breadth overall was poor.

► Within the S&P, eight of the 11 sectors posted positive returns. The Telecommunications sector was the best performer of the month and returned 3.78%. Consumer Staples was second best, posting a return of 3.60%. Industrials was the worst performing sector, posting a return of -1.18%.

► Negative returns were seen across smaller market capitalizations, with small-caps (Russell 2000) returning -1.80%, while mid-caps (Russell Mid Cap Index) returned -0.53%, but large-caps (Russell 1000 Index) saw a positive return of 1.24%. Value stocks outperformed growth stocks across large and mid-caps, while growth outperformed in small-caps.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 1.74%. Developed markets, represented by the MSCI EAFE Index, saw returns of 2.82%, and emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of -1.13% in April.

► Within the ACWI ex-U.S. Index, seven of the 11 sectors posted positive returns. Energy was the best performing sector internationally, with a return of 5.48%. Healthcare was second best, posting a return of 4.92%. Information Technology was the worst performer, posting a return of -3.86%.

► Regionally, non-U.S. equities saw mixed returns. The UK performed the best, returning 5.31%, while the EM Asia performed the worst, returning -2.36%.

Fixed Income

► The Treasury yield curve inverted further in April as shorter tenors (less than one year) increased, while those two year or longer decrease, with a slight increase on the very long end of the curve. On the long end, the 10-year saw 4 basis points (bps) decrease in rates and the 30-year saw an increase of 3 bps, while on the shorter end the 2- and 5-year rates decreased by 2 and 9 bps respectively, leading the Broad Treasury Index to return 0.55% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned 0.61% in April. Investment-grade (IG) credit as a whole returned 0.79%, AAA-rated bonds returned 0.58%, AA-rated bonds returned 0.77%, A-rated bonds returned 0.80%, and BBB-rated bonds returned 0.81%. High yield corporates saw a return of 1.00% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 0.83%. Performance was mixed, with three of the nine Real Estate sectors seeing positive returns. Health Care did the best, returning 5.80%. The worst performing sector of the month was Diversified, returning -4.80%.

► The active contract for West Texas Intermediate (WTI) crude rose to $76.78/barrel in April, up from $75.67/barrel at the end of March, and down $27.91 year over year.

Items to Watch

► As stubborn inflation kept pressure on the Federal Open Market Committee (FOMC) to tighten monetary policy, the May 3 meeting brought an increase of 25 bps, bringing the target rate range to 5.00% to 5.25%. This marked the tenth consecutive increase and brought borrowing costs to their highest level since September 2007.

► Looking forward, the Federal Reserve signaled a conditional pause to its monetary-policy tightening cycle, restating a line it used previously about the likely need for additional policy firming. Globally, rates continue to climb as well, with European and Australian Central Banks raising rates 25 bps, while the Bank of England is widely expected to announce an increase of 25 bps in its upcoming May meeting as well.

► The U.S. economy slowed in the first quarter of 2023, growing at an annualized rate of 1.1%, likely reflecting slower economic momentum in the face of increasingly tight monetary policy. Consumer spending remains a key driver of growth, supported by the continued strength in the labor markets, while businesses pulled back on spending as funding costs rose with rate increases.

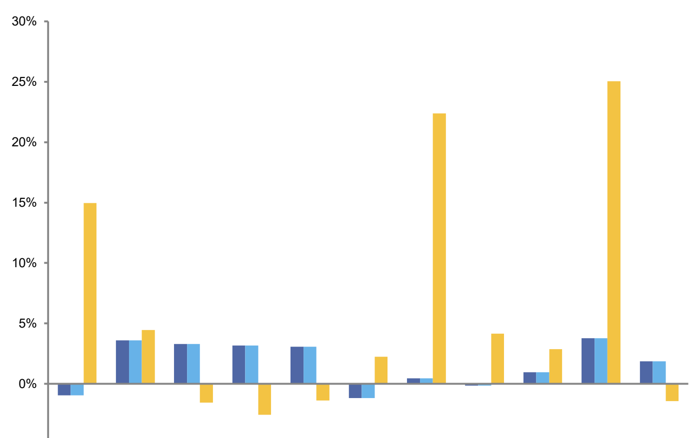
► The Eurozone saw marginal growth of 0.1% annualized in the first quarter of 2023, following a quarter of zero growth at the end of 2022 as softer energy costs, warmer-than-expected weather and fiscal stimulus helped the Eurozone avoid a contraction.

► In the U.S. the April ISM Manufacturing PMI had a reading of 47.1, signaling economic activity contraction in the manufacturing sector for a fifth straight month. The ISM Services PMI increased to 51.9 in April, marking the fourth consecutive month of growth in the services sector. The Eurozone saw similar readings with April's Manufacturing PMI falling further into contractionary territory at 45.8, while the services sector grew to 56.2.

Total Return of Major Indices				
Domestic Equity	**MTD**	**QTD**	**YTD**	**1 YR**
S&P 500	1.56%	1.56%	9.16%	2.64%
Russell 3000	1.07%	1.07%	8.31%	1.47%
Russell 2000	-1.80%	-1.80%	0.88%	-3.68%
Russell 1000	1.24%	1.24%	8.78%	1.79%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	1.74%	1.74%	8.72%	3.05%
MSCI EAFE	2.82%	2.82%	11.53%	8.42%
MSCI Emerging Markets	-1.13%	-1.13%	2.78%	-6.51%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	0.61%	0.61%	3.59%	-0.43%
Bloomberg Global Agg	0.44%	0.44%	3.46%	-2.31%
Bloomberg U.S. HY	1.00%	1.00%	4.60%	1.22%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	0.83%	0.83%	3.54%	-14.80%
Bloomberg Commodity	-1.13%	-1.13%	-7.53%	-19.44%

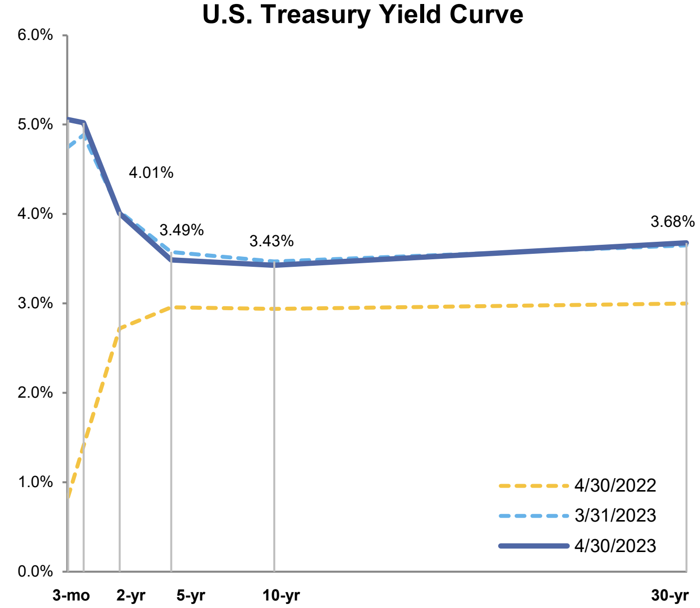
Economic Indicators		
Domestic	**Current**	**Previous Month**
Unemployment Rate (%)	3.4%	3.5%
Initial Jobless Claims (4 week average)	239.3 K	235.8 K
CB Leading Economic Indicators	-1.2	-0.5
Capacity Utilization	79.8%	79.6%
GDP (annual growth rate)	1.1%	2.6%
University of Michigan Consumer Confidence	63.5	62.0
New Home Starts	683 K	623 K
Existing Home Sales	4.4 MM	4.6 MM
Retail Sales (YoY)	2.9%	6.4%
U.S. Durable Goods (MoM)	3.2%	-1.2%
Consumer Price Index (YoY)	5.0%	6.0%
Producer Price Index (MoM)	-1.2%	-0.3%
Developed International*	**12/31/2022**	**9/30/2022**
Market GDP (annual rate)	1.6%	2.8%
Market Unemployment	4.3%	4.3%

Stock Market Sector Performance (S&P 500)

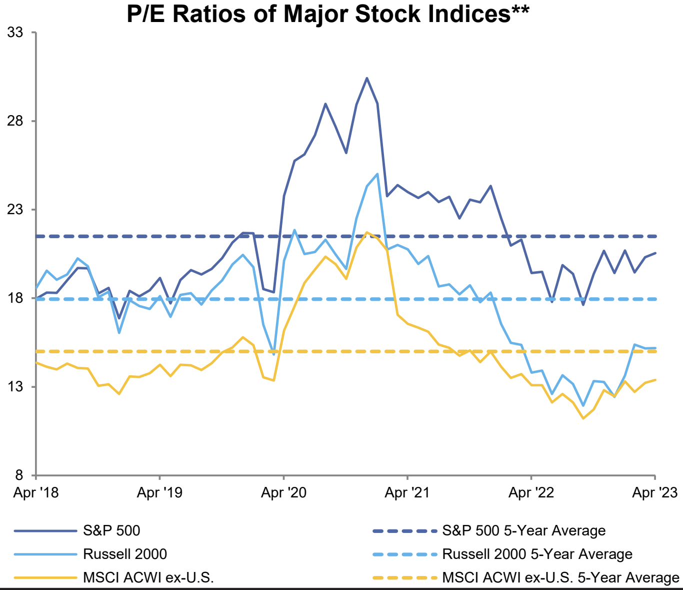


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-0.95%	3.60%	3.30%	3.18%	3.07%	-1.18%	0.45%	-0.14%	0.97%	3.78%	1.87%
QTD	-0.95%	3.60%	3.30%	3.18%	3.07%	-1.18%	0.45%	-0.14%	0.97%	3.78%	1.87%
YTD	14.95%	4.45%	-1.56%	-2.56%	-1.37%	2.24%	22.37%	4.14%	2.86%	25.05%	-1.44%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of April 30, 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.*

The views expressed constitute the perspective of PFM Asset Management (PFMAM) at the time of distribution and are subject to change. The content is based on sources generally believed to be reliable and available to the public; however, PFMAM cannot guarantee its accuracy, completeness or suitability. This material is for general information purposes only and is not intended to provide specific advice or a specific recommendation.

PFM Asset Management LLC ("PFMAM") is an investment adviser registered with the U.S. Securities and Exchange Commission and a subsidiary of U.S. Bancorp Asset Management, Inc. ("USBAM"). USBAM is a subsidiary of U.S. Bank National Association ("U.S. Bank"). U.S. Bank is a separate entity and subsidiary of U.S. Bancorp. U.S. Bank is not responsible for and does not guarantee the products, services or performance of PFMAM.

NOT FDIC INSURED : NO BANK GUARANTEE : MAY LOSE VALUE