

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 3.21% in July.
- ▶ Within the S&P, all of the 11 sectors posted positive returns. The Energy sector was the best performer for the month, returning 7.40%. Telecommunications was second best, posting a return of 6.94%. Healthcare was the worst performing sector, posting a return of 1.02%.
- ▶ Positive returns were seen across all market capitalizations, with small-caps (Russell 2000) returning 6.11%, mid-caps (Russell Mid Cap Index) returning 3.97%, and large-caps (Russell 1000 Index) returning 3.44%. Value stocks outperformed growth stocks across all capitalizations.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 4.06%. Developed markets, represented by the MSCI EAFE Index, saw returns of 3.24%, and emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of 6.22% in July.
- ▶ Within the ACWI ex-U.S. Index, all of the 11 sectors posted positive returns. Materials were the best performing sector internationally, with a return of 6.44%. Real Estate was the second-best performer in July, posting a return of 6.26%. Utilities was the worst performer, posting a return of 1.23%.
- ▶ Regionally, non-U.S. equities saw positive returns across the board, with EMEA (Europe Middle East and Africa) performing the best, returning 6.94%, supported by strong returns in EM while Europe itself (as represented by Europe ex-UK) performed the worst, returning 2.96% as the European economy continued to slow.

Fixed Income

- ▶ Treasury yields rose on the short and long end of the curve in July, while remaining relatively flat in the intermediate term tenors. The under 1-year rates rose, with the 3-month rate increasing by 12 basis points (bps), while the intermediate period was mixed with the 2-year decreasing by 2 bps and 5-year rates increasing by 2 bps. On the long end, the 10-year saw a 12 bps increase in rates and the 30-year saw an increase of 15 bps, leading the Broad Treasury Index to return -0.40% for the month.
- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned -0.07% in July. Investment-grade (IG) credit as a whole returned 0.31%, AAA-rated bonds returned 0.01%, AA-rated bonds returned -0.14%, A-rated bonds returned 0.25%, and BBB-rated bonds returned 0.50%. High-yield corporates saw a return of 1.38% during the month.

Alternatives and Other Asset Classes

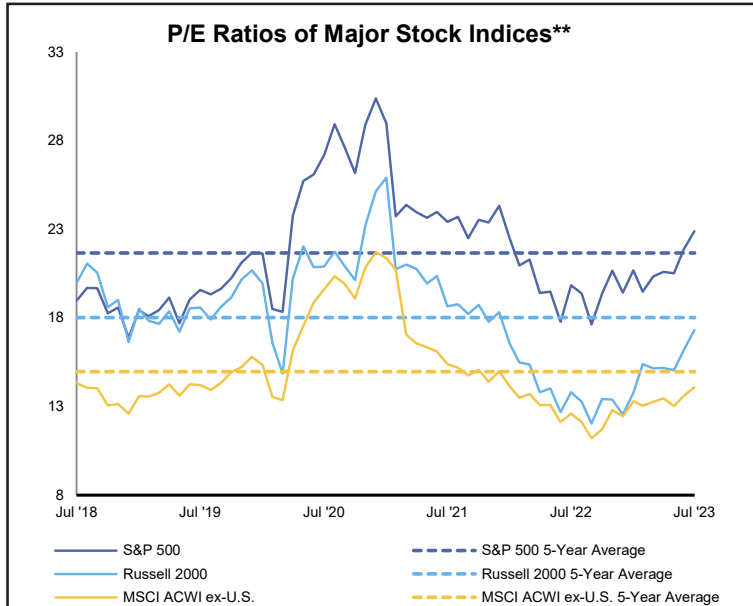
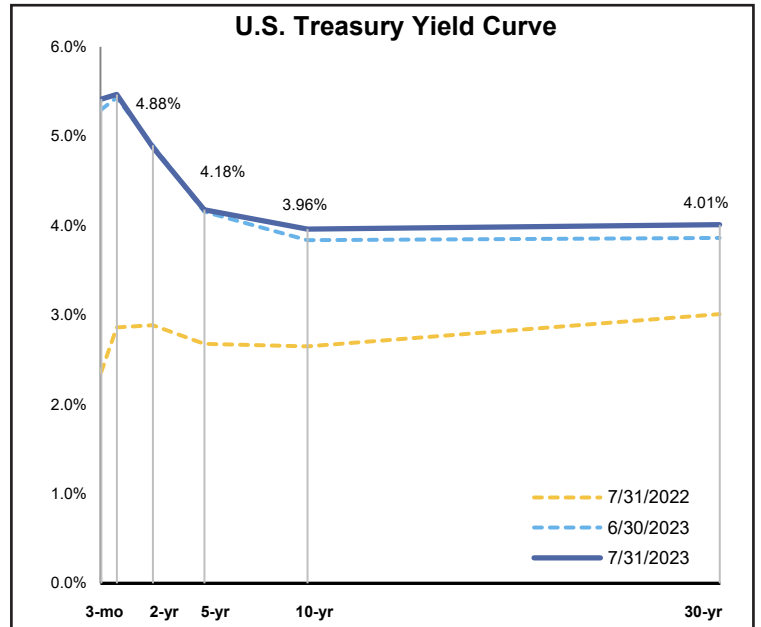
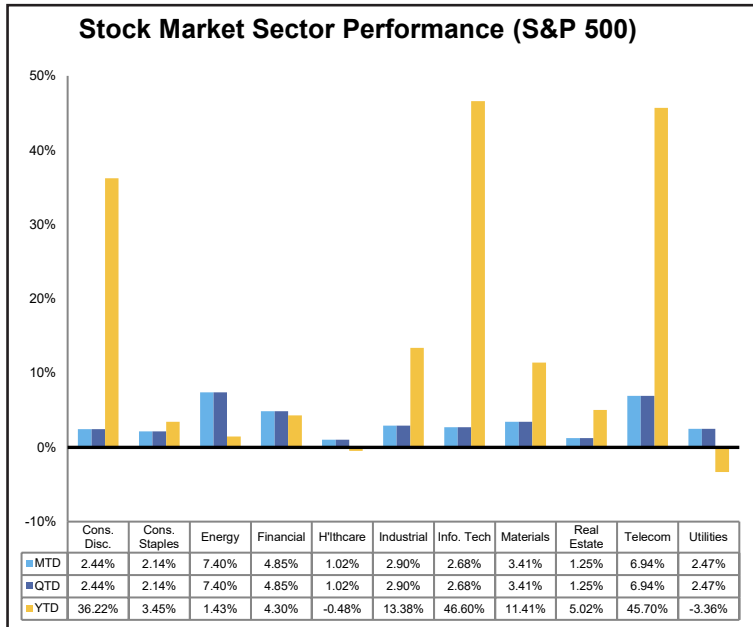
- ▶ Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 2.85%. Eight of the nine real estate sectors had positive returns for the month. The Office sector did the best, returning 13.32%. The worst performing sector of the month was Self-Storage, returning -4.11%.
- ▶ The active contract for West Texas Intermediate (WTI) crude rose to \$81.80/barrel in July, up \$11.16 from \$70.64/barrel at the end of June.

Items to Watch

- ▶ After a pause in rate hikes in the previous meeting in June, the resiliency of economic activity in the U.S. prompted the Federal Reserve (Fed) to raise the target for the federal funds rate by 25 bps to a range of 5.25% to 5.50% in its July meeting. The Fed also updated its forecast, removing its prediction of a possible recession, lending strength to talks of a possible “soft landing” scenario where inflation returns to target without high job losses. This comes as June consumer price inflation slowed to 3.00%, the lowest level since March 2021 and the U.S. unemployment rate remains near record lows at 3.5% in July.
- ▶ The European Central Bank (ECB) also raised its deposit rate by 25 bps in July, marking a full year of consecutive rate hikes, as they continue to work to control inflation. The Euro Area inflation rate, which while at its lowest rate since January 2022, came in at a preliminary 5.3% in July.
- ▶ U.S. economic strength was underlined as advance estimates for second quarter gross domestic product (GDP) showed the U.S. economy growing at 2.4% year-over-year (YoY), up from the 2.0% growth rate in the first quarter and significantly beating estimates, which had predicted a slowdown in growth.
- ▶ China’s second quarter GDP reading came in at 6.3% (YoY), an acceleration from the previous quarter’s 4.5%. However, this was heavily skewed from the previous year’s lockdown pains and significantly under the forecast growth rate of 7.3%. In response to this slowing economic momentum and other gloomy data on the health of the economy, China’s National Development and Reform Commission (NDRC) unveiled a series of measures to boost consumption, though they stopped short of the more sizeable fiscal stimulus.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	3.21%	3.21%	20.64%	12.99%
Russell 3000	3.58%	3.58%	20.32%	12.62%
Russell 2000	6.11%	6.11%	14.67%	7.87%
Russell 1000	3.44%	3.44%	20.68%	12.92%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	4.06%	4.06%	13.92%	13.41%
MSCI EAFE	3.24%	3.24%	15.28%	16.79%
MSCI Emerging Markets	6.22%	6.22%	11.42%	8.35%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg U.S. Agg	-0.07%	-0.07%	2.02%	-3.37%
Bloomberg Global Agg	0.69%	0.69%	2.13%	-2.70%
Bloomberg U.S. HY	1.38%	1.38%	6.83%	4.41%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	2.85%	2.85%	8.37%	-5.82%
Bloomberg Commodity	5.78%	5.78%	-4.85%	-11.89%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.5%	3.6%
Initial Jobless Claims (4 week average)	228.3 K	233.8 K
CB Leading Economic Indicators	-0.7	-0.6
Capacity Utilization	78.9%	79.4%
GDP (annual growth rate)	2.4%	2.0%
University of Michigan Consumer Confidence	71.6	64.4
New Home Starts	697 K	715 K
Existing Home Sales	4.2 MM	4.3 MM
Retail Sales (YoY)	0.6%	1.2%
U.S. Durable Goods (MoM)	4.6%	2.0%
Consumer Price Index (YoY)	3.0%	4.0%
Producer Price Index (MoM)	0.4%	-1.7%
Developed International*	3/31/2023	12/31/2022
Market GDP (annual rate)	2.2%	1.9%
Market Unemployment	4.2%	4.2%



Source: Bloomberg. Data as of July 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.

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