Monthly Market Review

Multi-Asset Class | September 2023

pfm asset management

U.S. Equity

► Domestic equity markets, as represented by the S&P 500 Index (S&P), returned -1.59% in August.

► Within the S&P 500 Index, only one of the 11 sectors posted positive returns. The Energy sector was the best performer for the month, returning 1.81%, while the second-best-performing sector, Telecommunications, posted a return of -0.37%. Utilities was the worst-performing sector, posting a return of -6.16%.

► Negative returns were seen across all market capitalizations, with small-caps (Russell 2000) returning -5.01%, mid-caps (Russell Mid Cap Index) returning -3.47%, and large-caps (Russell 1000 Index) returning -1.75%. Growth stocks outperformed value stocks across mid- and large-capitalizations, while small-caps saw outperformance by value stocks.

Non-U.S. Equity

► Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned -4.52%. Developed markets, represented by the MSCI EAFE Index, saw returns of -3.83%, and emerging markets (EM), represented by the MSCI Emerging Markets Index, saw returns of -6.16% in August.

► Within the ACWI ex-U.S. Index, only one of the 11 sectors posted positive returns. Energy was the best-performing sector, with a marginally positive return of 0.53%. Healthcare, the second-best performer in August, posted a return of -1.79%. Consumer Discretionary was the worst-performing sector, posting a return of -6.60%.

► Regionally, non-U.S. equities also saw negative returns across the board, with Japan performing the best, returning -2.42%. EM Latin America was the worst-performing region, returning -7.28% in August.

Fixed Income

► Treasury yields rose on the long end of the curve in August while remaining relatively flat on the shorter end. On the long end, the 10-year saw a 15 basis point (bps) increase in rates, and the 30-year saw an increase of 20 bps. On the shorter end, the 2-year saw a decline of 1 bp and the 5-year saw an increase of 8 bps, leading the Broad Treasury Index to return -0.58% for the month.

► The Bloomberg U.S. Aggregate Index (Aggregate) returned -0.64% in August. Investment-grade (IG) credit as a whole returned -0.72%, AAA-rated bonds returned -0.08%, AA-rated bonds returned -0.75%, A-rated bonds returned -0.79% and BBB-rated bonds returned -0.76%. High-yield corporates saw a return of 0.28% during the month.

Alternatives and Other Asset Classes

► Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned -3.11%. All of the nine real estate sectors had negative returns for the month. The Industrial sector did the best, returning -0.02%. The worst-performing sector of the month was Self-Lodging/Resorts, returning -9.48%.

► The active contract for West Texas Intermediate (WTI) crude rose to $83.63/barrel in August, up $1.83 from $81.80/barrel at the end of July.

Items to Watch

► The BRICS trading bloc (a group of EM economies consisting of Brazil, Russia, India, China and South Africa) announced the invitation of Saudi Arabia, UAE, Iran, Egypt, Ethiopia and Argentina to the group. This invitation creates the possibility of new avenues for trade between the countries and strengthens the geopolitical ties of non-western powers. The “New BRICS” may have an impact on global oil and critical mineral markets because the expanded group would control approximately 72% of the world’s rare earth minerals and 42% of the world’s oil.

► The domestic labor market continues to cool as the unemployment rate has risen from 3.4% in April 2023 to 3.8% in August. Meanwhile, labor market participation also rose during the month to 62.8%, the highest level since February 2020. Wage growth continues to decelerate and is at its slowest pace since early last year (4.29% YoY). These cumulative signs are disinflationary, and encouraging for the Federal Reserve (Fed) as they work to mitigate the effects of inflation.

► As inflation cools and interest rates seem to have peaked, we continue to monitor the health of consumer demand. Personal spending grew by 0.8% in July, the largest increase in six months, but the likelihood of the consumer maintaining this pace of increase does not appear probable. While the spending rate increased, the household saving rate also decreased from 4.3% in June to 3.5% in July. According to a recent statement by the San Francisco Fed, “the excess savings that the consumer accumulated during the pandemic, which helped to fuel this growth, are now also being spent down and are expected to run out by the end of the third quarter.”

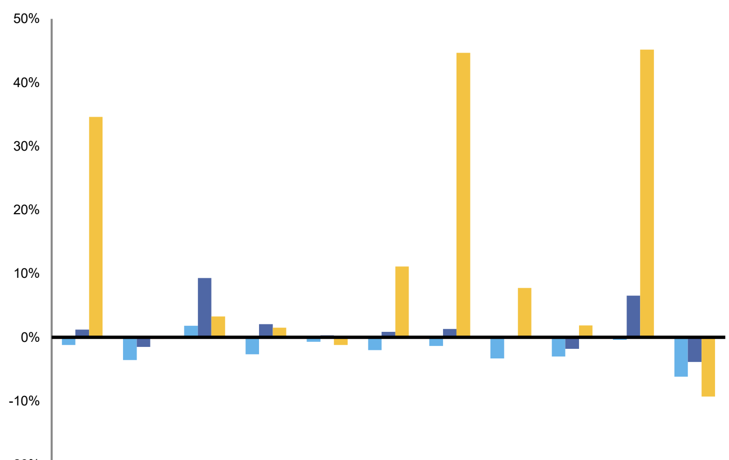
Total Return of Major Indices

Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	-1.59%	1.57%	18.72%	15.92%
Russell 3000	-1.93%	1.58%	18.00%	14.73%
Russell 2000	-5.01%	0.80%	8.93%	4.61%
Russell 1000	-1.75%	1.63%	18.57%	15.38%
International Equity	**MTD**	**QTD**	**YTD**	**1 YR**
MSCI ACWI ex-U.S.	-4.52%	-0.64%	8.77%	11.89%
MSCI EAFE	-3.83%	-0.72%	10.87%	17.92%
MSCI Emerging Markets	-6.16%	-0.32%	4.55%	1.25%
Fixed Income	**MTD**	**QTD**	**YTD**	**1 YR**
Bloomberg U.S. Agg	-0.64%	-0.71%	1.37%	-1.19%
Bloomberg Global Agg	-1.37%	-0.68%	0.74%	-0.09%
Bloomberg U.S. HY	0.28%	1.66%	7.13%	7.16%
Alternatives	**MTD**	**QTD**	**YTD**	**1 YR**
FTSE NAREIT Equity	-3.11%	-0.35%	5.00%	-2.95%
Bloomberg Commodity	-1.22%	4.48%	-6.01%	-12.83%

Economic Indicators

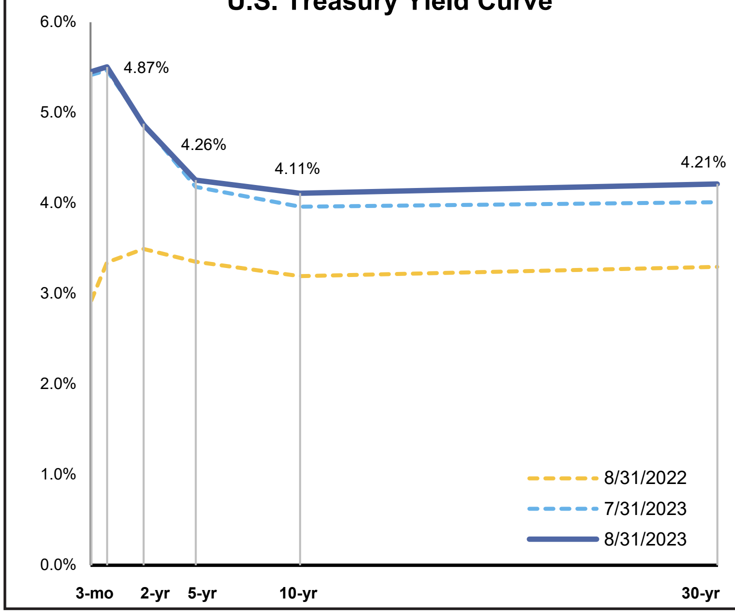
Domestic	Current	Previous Month
Unemployment Rate (%)	3.8%	3.5%
Initial Jobless Claims (4 week average)	237.5 K	237.3 K
CB Leading Economic Indicators	-0.4	-0.7
Capacity Utilization	79.3%	78.6%
GDP (annual growth rate)	2.1%	2.0%
University of Michigan Consumer Confidence	69.5	71.6
New Home Starts	714 K	684 K
Existing Home Sales	4.1 MM	4.2 MM
Retail Sales (YoY)	2.2%	0.6%
U.S. Durable Goods (MoM)	-5.2%	4.4%
Consumer Price Index (YoY)	3.2%	3.0%
Producer Price Index (MoM)	0.2%	0.3%
Developed International*	**6/30/2023**	**3/31/2023**
Market GDP (annual rate)	2.0%	2.2%
Market Unemployment	4.3%	4.2%

Stock Market Sector Performance (S&P 500)

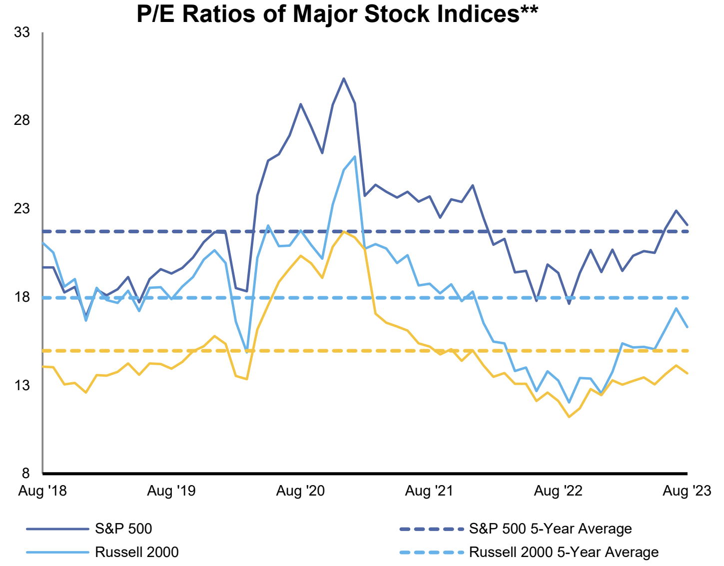


	Cons. Disc.	Cons. Staples	Energy	Financial	H'lthcare	Industrial	Info. Tech	Materials	Real Estate	Telecom	Utilities
MTD	-1.17%	-3.57%	1.81%	-2.65%	-0.69%	-1.99%	-1.32%	-3.28%	-3.00%	-0.37%	-6.16%
QTD	1.25%	-1.51%	9.34%	2.07%	0.32%	0.85%	1.32%	0.02%	-1.78%	6.55%	-3.84%
YTD	34.63%	-0.25%	3.27%	1.53%	-1.17%	11.13%	44.66%	7.76%	1.87%	45.16%	-9.31%

U.S. Treasury Yield Curve



P/E Ratios of Major Stock Indices**



Source: Bloomberg. Data as of August 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 June 30, 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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