

TALKING POINTS

Data through February 2023

Open-End Net Fund Flows (\$)	1/23	12/22	YTD (Jan)
Equity	-30.23B	-94.65B	-30.23B
Taxable Bond	9.52B	-37.10B	9.52B
Municipal Bond	8.04B	-16.18B	8.04B
Hybrid	-3.24B	-18.1B	-3.24B
Taxable Money Market	22.39B	92.53B	22.39B

Key Interest Rates/Yields	2/28/23	1/31/23	2/28/22
Federal Funds Target Rate	4.75%	4.50%	0.25%
2-Year T-Note	4.82%	4.20%	1.43%
5-Year T-Note	4.18%	3.62%	1.72%
10-Year T-Note	3.92%	3.51%	1.83%
Bond Buyer 40	4.67%	4.31%	3.67%

Commodities/U.S. Dollar	2/23	YTD	12 Mo.
U.S. Dollar Index (DXY)	2.72%	1.30%	8.44%
Refinitiv/CC CRB Excess Ret.	-2.97%	-2.85%	0.28%
Crude Oil/WTI (per Barrel)	-2.31%	-4.00%	-19.50%
Natural Gas (per million BTUs)	2.35%	-38.61%	-37.60%
Gold Bullion (Ounce)	-4.81%	0.57%	-3.37%

Total Return Performance

U.S. Stock Indices	2/23	YTD	12 Mo.
S&P 500	-2.45%	3.68%	-7.72%
DJIA	-3.94%	-1.13%	-1.59%
Nasdaq 100	-0.37%	10.26%	-14.65%
S&P MidCap 400	-1.82%	7.23%	-0.68%
Russell 2000	-1.69%	7.89%	-6.04%
Russell 3000	-2.35%	4.38%	-8.10%

U.S. Styles/Market Caps	2/23	YTD	12 Mo.
S&P 500 Growth	-1.94%	3.57%	-16.45%
S&P 500 Value	-2.99%	3.80%	1.43%
S&P MidCap 400 Growth	-0.84%	6.22%	-4.92%
S&P MidCap 400 Value	-2.81%	8.27%	3.53%
Russell 2000 Growth	-1.08%	8.76%	-7.95%
Russell 2000 Value	-2.31%	7.01%	-4.43%

Foreign Stock Indices (USD)	2/23	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-2.33%	5.67%	-3.75%
MSCI Emerging Markets NET	-6.48%	0.90%	-15.28%
MSCI Europe NET	-0.62%	8.00%	-1.07%
MSCI BRIC NET	-8.80%	-2.24%	-16.28%
MSCI EM Latin America NET	-6.20%	3.06%	-0.27%
Nikkei 225	-3.66%	1.53%	-10.35%

Bloomberg Fixed Income Ind.	2/23	YTD	12 Mo.
U.S. Treasury: Intermediate	-1.75%	-0.18%	-6.32%
GNMA 30 Year	-2.50%	0.70%	-8.51%
Municipal Bond (22+)	-3.33%	1.23%	-10.94%
U.S. Aggregate	-2.59%	0.41%	-9.72%
Intermediate Corporate	-1.98%	0.49%	-6.18%
U.S. Corporate High Yield	-1.29%	2.47%	-5.46%
Global Aggregate	-3.32%	-0.15%	-13.60%
EM Hard Currency Aggregate	-2.44%	0.77%	-9.14%

Sources: Bloomberg and Investment Company Institute

Past performance is no guarantee of future results. Historical performance figures for the indices are for illustrative purposes only and not indicative of any actual investment. Indices are unmanaged and an investor cannot invest directly in an index.

Climate

As February came to a close, so did earnings season. Through 3/1/23, 489 of the 503 companies in the S&P 500 Index ("index") reported Q4'22 earnings of -5.8% when compared to the same period last year. Not good. Additionally, inflation continues to be uncooperative. January's Personal Consumption Expenditures (PCE) readings came in higher than anticipated, adding fuel to the debate surrounding the Federal Reserve ("Fed") and monetary policy. A large part of that discussion involves the health of the U.S. consumer, in our view. To that end, the Commerce Department reported that in December 2022, the U.S. savings rate rose to 3.4%, its highest level in seven months. December's number was a welcome reversal from a series of declines over the 2021 and 2022 calendar years, but could also indicate that consumers are beginning to pull back on discretionary spending amidst a cloudier economic outlook, according to Bloomberg.

Stock Market

The S&P 500 Index closed February 2023 at 3,970.15, 17.23% below its all-time closing high of 4,796.56 on 1/3/22, according to Bloomberg. The S&P MidCap 400 and S&P SmallCap 600 Indices stood 10.65% and 14.79%, respectively, below their record closing highs as of 2/28/23. In February 2023, the S&P 500 Index posted a total return of -2.45%. Only one of the eleven major sectors that comprise the index registered positive total returns for the month. The top-performer was Information Technology, up 0.45%, while the worst showing came from Energy, down 7.12%. The S&P 500 Index posted a total return of -7.72% over the trailing 12-month period ended 2/28/23. Three of the eleven major sectors were up on a total return basis. The index's top performer was Energy, up 23.81%, while the worst showing came from Communication Services, down 24.78%. Full-year 2023 earnings estimates declined month-over-month, with forecasted earnings per share falling to \$220.5 as of 3/3/23 from \$223.1 on 1/31/23. This decrease is reflected in Bloomberg's consensus 2023 year-over-year (y-o-y) earnings growth rate estimates for the S&P 500 Index, which stood at -1.74% as of 3/3/23. Notably, the sectors that contributed the most to 2022's record earnings (Energy, Industrials and Materials) are not forecast to repeat their performances in 2023. For example, Energy, Industrials, and Materials, which saw y-o-y earnings growth rates of 263.9%, 44.0% and 33.3%, respectively, in 2022, are forecast for y-o-y growth rates of -19.8%, 7.1% and -18.9%, respectively, in 2023. A Bloomberg survey of 24 equity strategists found that their average 2023 year-end price target for the S&P 500 Index was 4,050 as of 2/17/2023, according to its own release. Stock buybacks remained strong in February. Birinyi Associates reported that year-to-date through 2/21/23, U.S. companies have announced nearly \$224 billion of planned buybacks, compared to \$189.5 over the same period last year, according to Money.

Bond Market

The yield on the benchmark 10-year Treasury Note (T-note) closed trading on 2/28/23 at 3.92%, up 41 basis points (bps) from its 3.51% close on 1/31/23, according to Bloomberg. The 3.92% yield stood 174 bps above its 2.18% average for the 10-year period ended 2/28/23. In our view, the yield paid to fixed income investors has not been high enough to offset inflation, as measured by the Consumer Price Index (CPI). The CPI increased at a 2.40% rate over the past 15 year period (ended 2/28/23). By comparison, the yield on the 10-year T-note averaged just 2.41% over the same time period. This resulted in a real yield (yield minus inflation) of just one basis point over 15 years! It is true that yields have trended higher recently (the 10-year T-note yield closed over 4% on 3/2/23 for the first time since 11/9/22), but with a CPI reading of 6.4% as of 1/31/23, inflation remains well above the yield paid by the 10-year T-note. It is possible that this difference may compress if the Fed raises rates further, in our opinion. Stay tuned!

Takeaway

Suffice it to say, 2023 has been a bit of a mixed bag so far. As the "U.S. Stock Indices" and "Bloomberg Fixed Income" tables to the left show, after posting phenomenal gains in January, each of the major equity and fixed income markets we track posted negative returns this past month. In our view, this trend was likely a reaction to the combination of persistently high inflation and better than expected economic data over the past two months. Many investors know the consumer plays a vital role in the direction of the U.S. economy. Over the 15-year period ended 10/1/22, consumer spending accounted for 67.8% of GDP, on average. Crucially, recent data regarding the U.S. consumer has been mixed, in our opinion. On one hand, consumer spending surged by 1.8% in January, notching its highest month-over-month increase in nearly two years. Additionally, February's consumer sentiment survey, released by the University of Michigan revealed that consumer confidence rose to its highest level in 13 months. On the other hand, the Federal Reserve Bank of New York noted that U.S. credit card debt rose to a record \$986 billion in Q4'22, and Fed data showed that the average credit card rate stood at 19.07% in the quarter, its highest level in over 50 years. As of 7/1/22 (most recent data), household debt service payments only accounted for 9.75% of U.S. consumers' disposable personal income, up from its pandemic-era low of 8.33%, but not concerningly high, in our view. If they can stay healthy, U.S. consumer activity could provide much needed ballast to the U.S. economy, in our opinion.

High/Low Snapshot

Data as of 2/28/23

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	4796.56	1/3/2022	1514.68	2/28/2013	3970.15	-17.23%	3.68%	1.72%
S&P 500 Growth	3423.28	12/27/2021	799.64	2/28/2013	2440.10	-28.72%	3.57%	1.43%
S&P 500 Value	1575.22	2/2/2023	706.38	2/28/2013	1484.25	-5.78%	3.80%	2.04%
S&P MidCap 400	2910.70	11/16/2021	1098.15	3/1/2013	2600.84	-10.65%	7.23%	1.76%
S&P MidCap 400 Growth	1427.19	11/16/2021	495.58	3/1/2013	1177.05	-17.53%	6.22%	1.38%
S&P MidCap 400 Value	932.50	2/2/2023	373.28	3/23/2020	875.24	-6.14%	8.27%	2.14%
S&P 100	2219.44	1/3/2022	682.53	2/28/2013	1777.54	-19.91%	4.32%	1.69%
DJIA	36799.65	1/4/2022	14054.49	2/28/2013	32656.70	-11.26%	-1.13%	2.12%
Nasdaq 100	16573.34	11/19/2021	2738.58	2/28/2013	12042.12	-27.34%	10.26%	0.91%
Russell 2000	2442.74	11/8/2021	901.51	4/18/2013	1896.99	-22.34%	7.89%	1.56%
Russell 2000 Growth	1709.62	2/9/2021	516.60	4/18/2013	1184.43	-30.72%	8.76%	0.85%
Russell 2000 Value	2643.45	11/8/2021	1067.63	3/23/2020	2225.83	-15.80%	7.01%	2.29%
Russell 3000	2804.93	1/3/2022	901.62	2/28/2013	2308.40	-17.70%	4.38%	1.68%
MSCI World Net (ex U.S.) (USD)	7936.92	9/6/2021	4189.62	2/11/2016	7050.79	-11.16%	5.67%	3.24%
MSCI Emerging Markets Net (USD)	699.23	2/17/2021	296.25	1/21/2016	490.43	-29.86%	0.90%	3.21%
Ibovespa/Brazil (USD)	29968.84	3/7/2013	9077.09	1/21/2016	20150.15	-32.76%	-4.19%	9.51%
RTS/Russia (USD)	1919.58	10/25/2021	628.41	1/20/2016	946.23	-50.71%	-2.25%	10.74%
S&P BSE 500/India (USD)	337.94	1/13/2022	95.89	9/3/2013	279.37	-17.33%	-5.91%	1.43%
Shanghai Composite/China (USD)	832.07	6/12/2015	317.13	6/27/2013	472.87	-43.17%	5.60%	2.59%
KOSPI/South Korea (USD)	2.93	6/16/2021	1.16	3/19/2020	1.83	-37.57%	3.37%	2.00%
Hang Seng (USD)	4241.01	1/26/2018	1871.10	10/31/2022	2520.73	-40.56%	-0.58%	3.38%
MSCI Euro (USD)	1705.00	9/6/2021	865.50	3/18/2020	1481.23	-13.12%	10.79%	3.19%
S&P 500 Consumer Discretionary	1673.27	11/19/2021	401.16	2/28/2013	1130.01	-32.47%	12.54%	1.02%
S&P 500 Consumer Staples	841.99	4/20/2022	392.78	2/28/2013	751.73	-10.72%	-3.27%	2.66%
S&P 500 Energy	737.09	6/23/2014	179.94	3/18/2020	638.01	-13.44%	-4.51%	4.02%
S&P 500 Utilities	394.81	9/12/2022	183.44	6/20/2013	328.82	-16.71%	-7.78%	3.26%
S&P 500 Financials	688.85	1/12/2022	236.67	2/28/2013	593.02	-13.91%	4.41%	2.03%
S&P 500 Banks	461.87	1/12/2022	165.18	2/28/2013	352.36	-23.71%	7.99%	2.99%
FTSE NAREIT All Equity REITs	980.08	12/31/2021	483.48	3/23/2020	734.25	-25.08%	3.49%	4.13%
S&P 500 Health Care	1664.59	4/8/2022	502.10	2/28/2013	1480.18	-11.08%	-6.39%	1.70%
S&P 500 Pharmaceuticals	1037.48	12/14/2022	405.07	2/28/2013	902.52	-13.01%	-10.33%	2.67%
NYSE Arca Biotechnology	6319.77	2/8/2021	1702.36	2/28/2013	5261.06	-16.75%	-0.35%	0.30%
S&P 500 Information Technology	3107.46	12/27/2021	460.42	4/19/2013	2380.26	-23.40%	9.81%	1.04%
Philadelphia Semiconductor	4039.51	12/27/2021	413.88	4/18/2013	2958.39	-26.76%	17.05%	1.37%
S&P 500 Communication Services	288.46	9/1/2021	130.86	12/24/2018	173.53	-39.84%	9.16%	1.04%
S&P 500 Industrials	905.63	1/4/2022	348.74	4/18/2013	851.88	-5.94%	2.80%	1.72%
S&P 500 Materials	569.63	12/31/2021	234.68	4/15/2013	514.81	-9.62%	5.38%	2.15%
Philadelphia Gold & Silver	167.76	4/14/2022	38.84	1/19/2016	113.72	-32.21%	-5.75%	2.34%
Refinitiv/CC CRB Excess Return	329.59	6/9/2022	106.29	4/21/2020	269.84	-18.13%	-2.85%	N/A
ICE BofA Perpetual Preferred	319.67	9/22/2021	179.47	8/19/2013	289.23	-9.52%	6.50%	6.93%
ICE BofA U.S. High Yield Constrained	522.13	12/28/2021	313.74	2/11/2016	475.30	-8.97%	2.58%	8.70%

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