

April 2023

Demarche Dashboard

A Flash Report on Markets and the Economy



Data and Commentary for the Period Ended 4/30/2023

Global Overview

Developed market large cap equities appreciated in April, supported by generally expanding GDP levels across the U.S., Eurozone, and China. Although U.S. GDP grew at a greater rate than most other developed countries, international stocks provided more attractive returns than the U.S., with European equities generating the strongest performance. Fixed income asset classes also posted positive results in April, despite lingering global inflation, quantitative tightening, and recessionary concerns. Aided by the strong performance from European countries, the MSCI World Index gained 1.8% during the month.

U.S. Markets & Economy

Domestic equities provided mixed results in April with large cap stocks advancing while the smaller cap fell, as evidenced by the Russell 1000's return of 1.2% and the Russell 2000's return decreasing 1.8%. The culprit for these large differentials over the last month lies in smaller caps having higher potential exposure to regional banks. Large cap indexes have also led year-to-date, benefiting from the rebound in performance of large tech stocks through much of 2023, while small cap struggled due to greater exposure to economically sensitive sectors and financials. So far in 2023, the Russell 1000 Index has outperformed Russell 2000 Index by nearly 8% (absolute). Nevertheless, most domestic equities experienced a boost in late April due to positive earnings surprises, as 79% of S&P 500 companies (of current reported earnings) posted positive EPS surprises. Despite some market gains and positive EPS surprises, unstable economic growth remains a concern for investors. The first quarter U.S. GDP growth rate came in below expectations (of 1.9%), but still expanded by 1.1%. In addition to GDP growth surprising to the downside, the Congressional Budget Office revised their annual nominal GDP growth expectation to 3.1%, lower than the previous forecast of 4.5%. This sentiment mirrors the Fed as the FOMC minutes from the March meeting reveal that the staff predicts a mild recession starting later this year with a recovery over the next two years. Interest rates remain elevated as inflation persists, leaving the Fed on track for another 25 basis point rate hike during the May meeting, a shift from last month's anticipation of rates holding steady. However, the market is hopeful that this is the final hike and with some speculating rate cuts as early as July. Employment numbers continue to signal some strength in the economy as the unemployment rate remains low and the total labor force participation rate grows, inching towards pre-COVID levels.

Fixed income asset classes had another favorable month with all fixed income asset classes generating positive returns. The Bloomberg U.S. Govt/Credit Index made strides by gaining 0.6%, and is now up 3.8% year-to-date. Last month, the banking crisis caused the yield curve to snap back, but over the month of April there was little additional movement, leaving the yield curve inverted throughout the month.

International Markets & Economy

European stocks had a favorable month in April, leading all other equity markets as the MSCI Europe Index gained 4.2%, with only the MSCI United Kingdom posting a higher return of 5.3%. These European returns were supported by a myriad of positive indicators. The Euro Area composite PMI was lifted due to Services PMI reaching 56.6 pulling composite PMI to 54.4, an increase from March. Euro area consumer sentiment continues to rebound from its all-time low of -28.7%, reached in September of 2022, and is currently at -17.5. Although inflation remains problematic, March headline inflation displayed a sharp drop from 8.5% to 6.9%. The ECB plans to further chip away at inflation with the market expecting a 25 basis point rate hike in May, parallel to the U.S. The Euro Area narrowly avoided negative GDP

DeMarche Dashboard

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April 2023

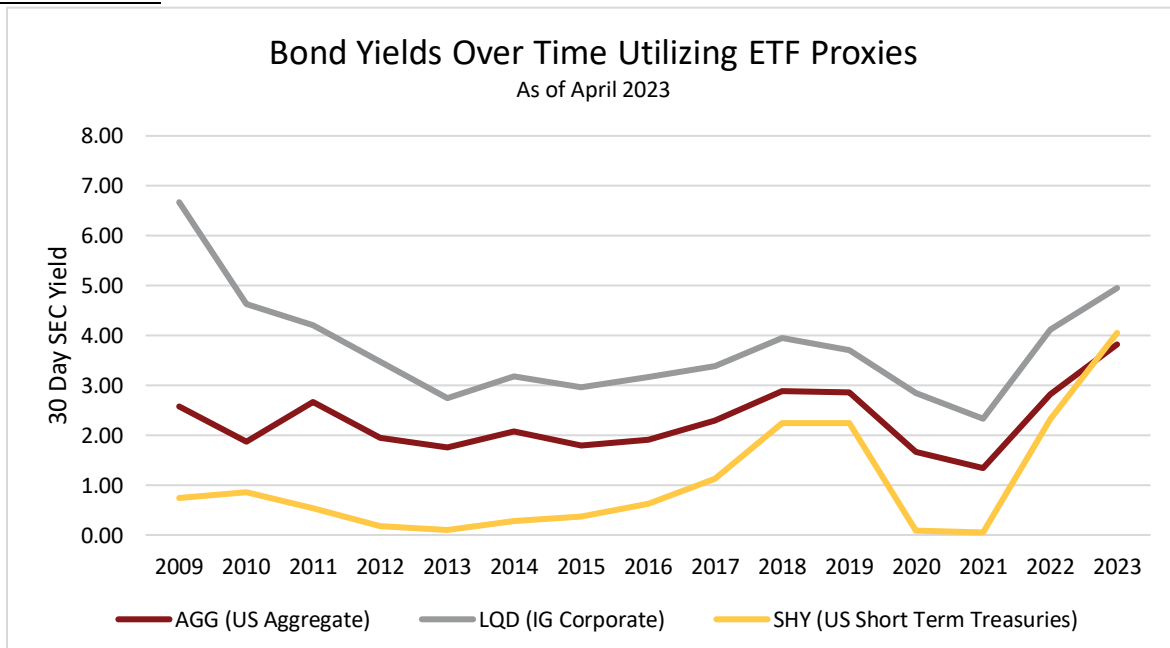
Page 2 of 6

growth with a Q1 growth rate of just 0.1%, missing expectations of 0.2%. Following a month of strong performance, the MSCI China Index declined 5.2%, and is now down 0.7% year-to-date. China's industrial production improvements endure in addition to a boost in consumption and retail sales in Q1 helping China to beat GDP expectations of 2.0% and gain 2.2%. The MSCI EM Index declined in April, which was pulled down largely by market losses in China and Taiwan, with the Index posting a loss of 1.1%. Despite losses over the last couple months, economic trends such as the China restart, rate cuts coming soon, and a weaker U.S. dollar should provide some support to the emerging markets in the quarters ahead.

In the News

Over the past decade, strategies focused on intermediate and aggregate bonds have been unable to provide meaningful returns to a portfolio and functioned primarily as a diversifier. Recent economic conditions have provided a path for domestic fixed income to add significant returns to a portfolio. This opportunity is in large part due to the global economic issues, like inflation, that caused the Fed to hike rates to control skyrocketing prices. Although inflation and the tightening of interest rates are challenging to bonds as they occur, it opens the door for better fixed income returns in the future. As investors anticipate rate cuts later this year, fixed income funds have gained additional popularity with investors rebalancing their portfolios into bond funds and out of equities in April. For example, according to the Investment Company Institute, during the week that ended April 19th, it was estimated that domestic equity mutual funds experienced net outflows of \$2.8 billion while taxable bonds mutual funds experienced a net inflow of \$2.0 billion. The Chart of the Month displays yields for various fixed income assets, which are calculated using an Index ETF throughout the time period. Over a nine-year stretch, yields on major bond classes did not break the 4% return threshold due to the loose monetary policy and expansionary environment. But, as the Fed enacts quantitative tightening, a reversal trend has begun as seen in 2021. As yields are finally beginning to break the 4% threshold, investor sentiment is turning positive around fixed income yields, especially due to the market predicting rate cuts in mid-2023, which would further aid fixed income returns, as it did during 2005-2009 when interest rates reached 5.25%. The tail end of the high-interest-rate effect is seen in the fourth quarter of 2009. So, while global inflation runs rampant and recessionary tensions loom, optimism is warranted in fixed income.

Chart of the Month



Source: Morningstar

DeMarche Dashboard

Data and Commentary for Periods Ended 4/30/2023

April 2023

Page 3 of 6

Capital Markets Overview

	TRAILING			ANNUALIZED				
	1-Mo	3-Mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	
Broad Market	MSCI World NR USD	1.75	2.38	9.62	3.18	13.10	8.14	8.71
	BBgBarc US Agg Bond TR USD	0.61	0.49	3.59	(0.43)	(3.15)	1.18	1.32
	Russell 3000 TR USD	1.07	1.34	8.32	1.50	14.07	10.60	11.67
	DJ Industrial Average TR USD	2.57	0.58	3.53	5.64	14.19	9.49	11.22
	NASDAQ Composite PR USD	0.04	5.54	16.82	(0.88)	11.21	11.59	13.89
	MSCI EAFE NR USD	2.82	3.17	11.53	8.42	11.68	3.63	4.76
	FTSE Treasury Bill 3 Mon USD	0.40	1.15	1.52	2.99	1.06	1.45	0.89
	Bloomberg Commodity TR USD	(0.75)	(5.61)	(6.07)	(16.60)	21.14	4.67	(1.51)
Domestic Equities	S&P 500 TR USD	1.56	2.72	9.17	2.66	14.52	11.45	12.20
	S&P MidCap 400 TR	(0.78)	(5.71)	2.99	1.33	16.52	7.56	9.64
	S&P SmallCap 600 TR USD	(2.78)	(8.93)	(0.28)	(3.84)	15.86	5.48	9.59
	Russell 1000 TR USD	1.24	1.96	8.79	1.82	14.22	11.07	11.95
	Russell 1000 Growth TR USD	0.99	6.61	15.49	2.34	13.62	13.80	14.46
	Russell 1000 Value TR USD	1.51	(2.52)	2.53	1.21	14.38	7.75	9.13
	Russell Mid Cap TR USD	(0.53)	(4.43)	3.51	(1.69)	13.78	7.97	9.85
	Russell Mid Cap Growth TR USD	(1.45)	(1.08)	7.56	1.60	9.21	8.96	10.84
	Russell Mid Cap Value TR USD	0.01	(6.24)	1.33	(3.47)	15.76	6.43	8.68
	Russell 2000 TR USD	(1.80)	(8.07)	0.89	(3.65)	11.90	4.15	7.88
	Russell 2000 Growth TR USD	(1.16)	(4.64)	4.84	0.72	7.82	4.00	8.44
Russell 2000 Value TR USD	(2.49)	(11.57)	(3.13)	(7.99)	15.44	3.66	6.96	
International Equities	MSCI ACWI Ex USA NR USD	1.74	0.57	8.72	3.05	9.74	2.50	3.97
	MSCI EAFE NR USD	2.82	3.17	11.53	8.42	11.68	3.63	4.76
	MSCI EAFE Growth NR USD	2.43	4.88	13.79	8.23	9.21	5.07	5.83
	MSCI EAFE Value NR USD	3.22	1.51	9.35	8.38	13.80	1.78	3.45
	MSCI Japan NR USD	0.37	0.34	6.58	4.30	5.66	1.21	4.19
	MSCI AC Asia Ex Japan NR USD	(2.08)	(5.58)	2.17	(5.94)	3.21	(0.49)	3.66
	MSCI Europe NR USD	4.15	5.96	15.15	12.03	14.36	4.63	5.34
	MSCI United Kingdom NR USD	5.31	4.92	11.75	8.44	14.65	3.07	3.65
	MSCI EAFE Small Cap NR USD	2.01	(0.41)	7.03	(1.24)	9.16	1.00	5.70
	MSCI EM NR USD	(1.13)	(4.74)	2.78	(6.51)	4.33	(1.05)	1.80
Fixed Income	BBgBarc US Govt/Credit TR USD	0.63	0.79	3.82	(0.26)	(3.14)	1.46	1.44
	BBgBarc US Govt/Credit Interm TR USD	0.61	1.07	2.96	0.96	(1.54)	1.63	1.32
	BBgBarc US Govt/Credit Long TR USD	0.71	(0.08)	6.51	(3.85)	(7.48)	1.17	2.02
	ICE BofA US High Yield TR USD	0.97	0.78	4.72	1.04	4.87	3.12	3.94
	Credit Suisse HY USD	0.94	1.13	4.87	1.46	5.19	3.10	3.86
	S&P/LSTA Leveraged Loan TR	1.05	1.60	4.31	3.39	7.31	3.76	3.81
	FTSE WGBI NonUS USD	0.31	0.48	4.03	(5.32)	(6.61)	(3.81)	(1.61)
	BBgBarc Gbl Agg Ex USD TR	0.29	(0.12)	3.35	(3.90)	(4.68)	(2.67)	(1.13)
REITs	FTSE Nareit All REITs TR	0.32	(7.69)	1.82	(16.15)	7.28	5.61	5.53
	Wilshire US REIT TR USD	0.84	(6.42)	4.12	(16.90)	8.38	5.54	5.31

USD - US dollar priced index TR - Total Return PR - Price Return LCL - Local Currency Priced Index NR - Return includes reinvested net dividends

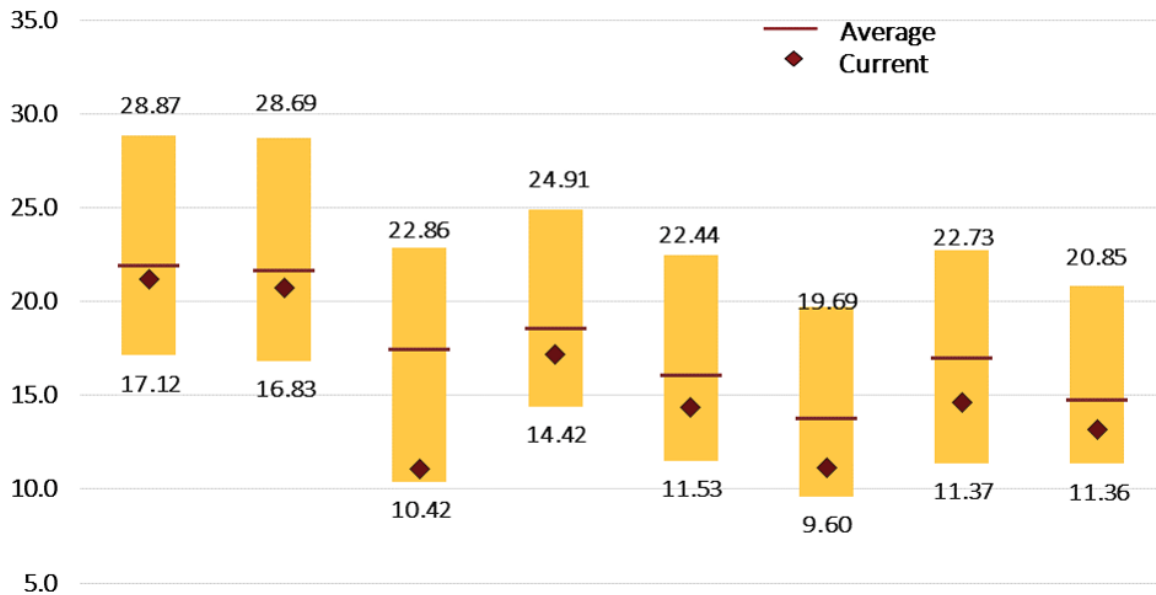
DeMarche Dashboard

Data and Commentary for Periods Ended 4/30/2023

April 2023

Page 4 of 6

Current Trailing P/E vs. Trailing 5-Year High, Low, Average



	S&P 500	Russell 1000	Russell 2000	MSCI AC World	MSCI EAFE	MSCI EM	MSCI Europe	MSCI AC Asia Pac
High Month	Mar-21	Mar-21	Nov-17	Mar-21	Mar-21	Jan-21	Mar-21	Jan-21
Low Month	Dec-18	Dec-18	Sep-22	Dec-18	Sep-22	Oct-22	Sep-22	Sep-22

Source: Morningstar

Economic Indicators

	GDP			Unemployment Rate	Interest Rates	Exchange Rates ³ per US \$		Inflation ²
	Latest ¹	2023 ¹	2024 ¹	(Most recently available)	Sovereign Bonds, 10 Year	Current	1 Year Ago	(Most recently available)
United States	1.10	1.50	0.90	3.50	3.57	-	-	5.60
China	2.20	5.30	4.90	5.30	2.81	6.91	6.62	0.70
Japan	0.00	1.40	1.10	2.60	0.39	135.99	130.94	3.10
United Kingdom	0.10	-0.20	0.90	3.70	3.71	1.26	1.24	6.20
Euro Area	0.10	0.80	1.50	6.50	3.23	1.10	1.05	5.60
Germany	0.00	0.30	1.70	5.60	2.32	1.09	1.05	5.70
France	0.20	0.70	1.30	7.20	2.89	0.93	1.05	6.20
Italy	0.50	0.60	1.00	7.80	4.18	1.08	1.05	6.31
Canada	0.00	1.10	1.40	5.00	2.84	1.36	1.28	4.30
India	0.69	5.90	7.10	7.80	7.11	81.97	76.19	6.07
Mexico	1.10	1.80	2.10	2.70	8.77	18.00	20.56	8.09
Brazil	-0.20	1.00	1.10	8.80	12.49	5.00	5.00	7.25

Sources: (Most recently available data) St. Louis Federal Reserve, The Wall Street Journal, OECD, Trading Economics

1. Latest GDP is seasonally adjusted annualized rate. 2022 & 2023 is forecasted data from OECD

2. In terms of Core CPI

3. Euro Area and U.K. exchange rates quoted in market standard format (USD/Non-USD currency)

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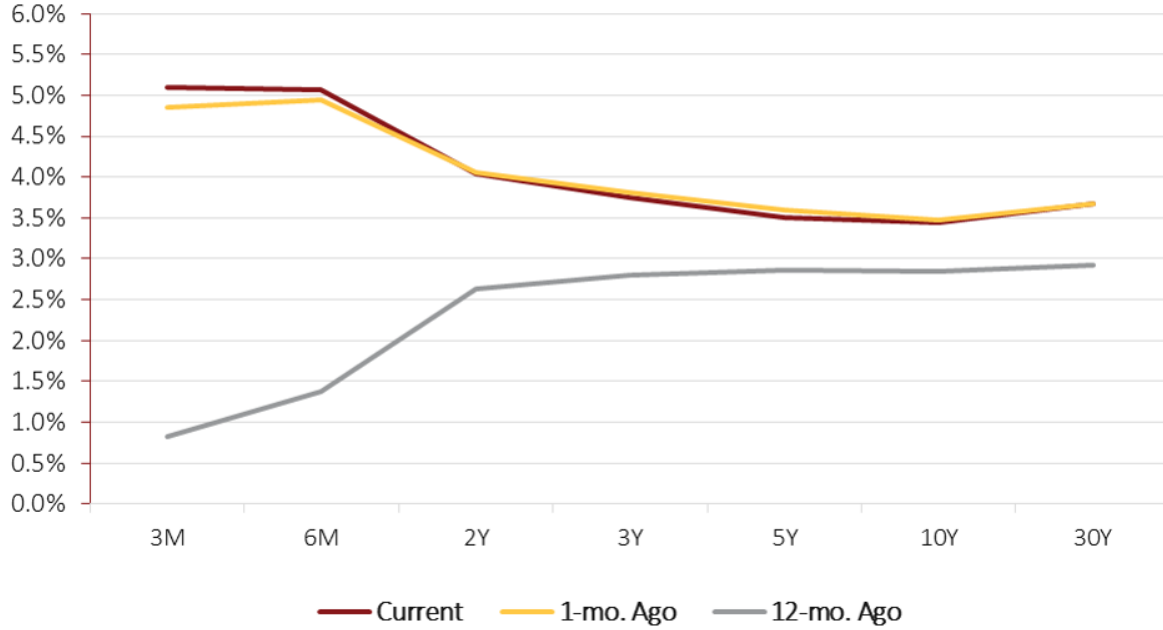
Data and Commentary for Periods Ended 4/30/2023

April 2023

Page 5 of 6

U.S. Treasury Yield Curves

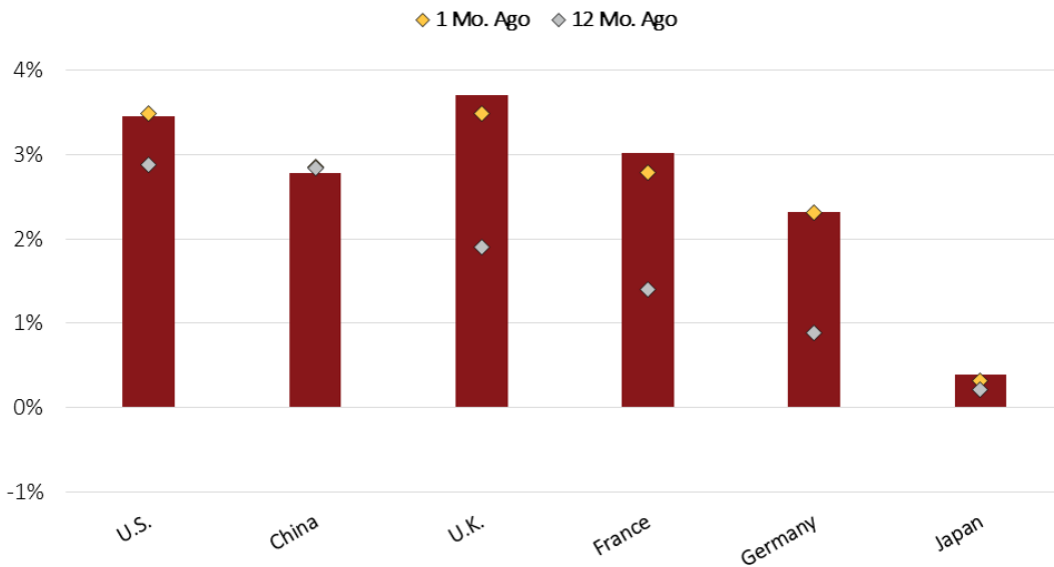
as of 04/30/2023



Source: Federal Reserve Bank

10-Year Sovereign Yields

as of 04/30/2023 (most recently available)



Source: Trading Economics

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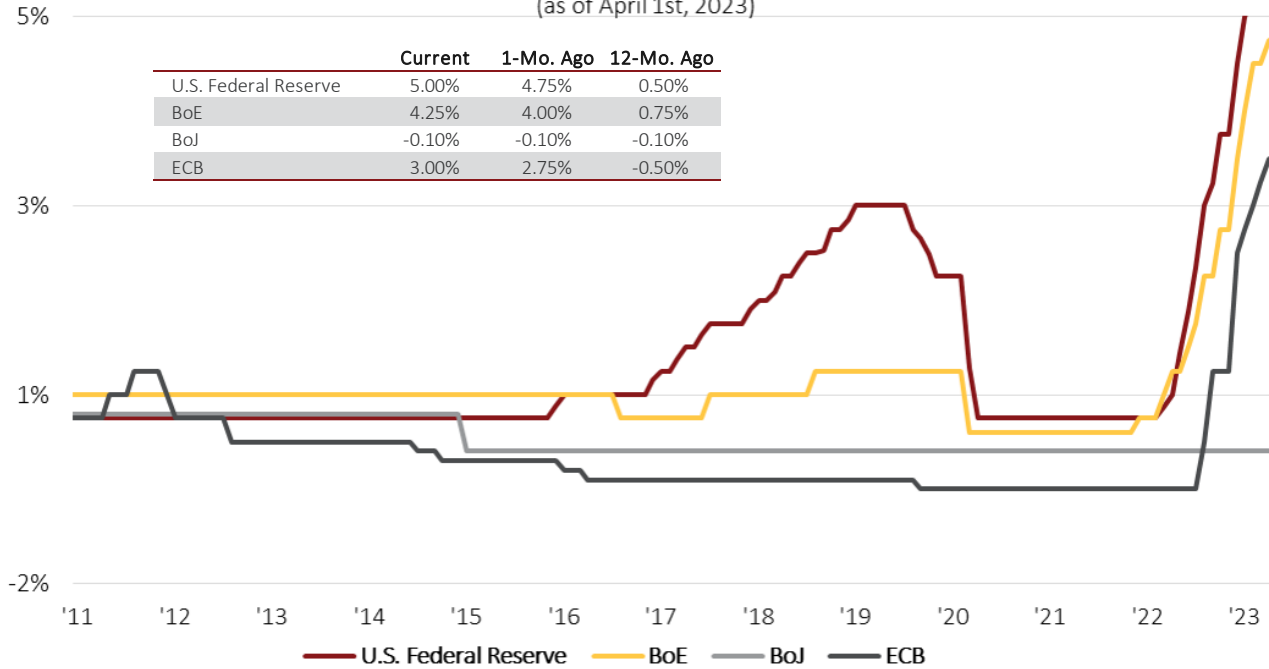
Data and Commentary for Periods Ended 4/30/2023

April 2023

Page 6 of 6

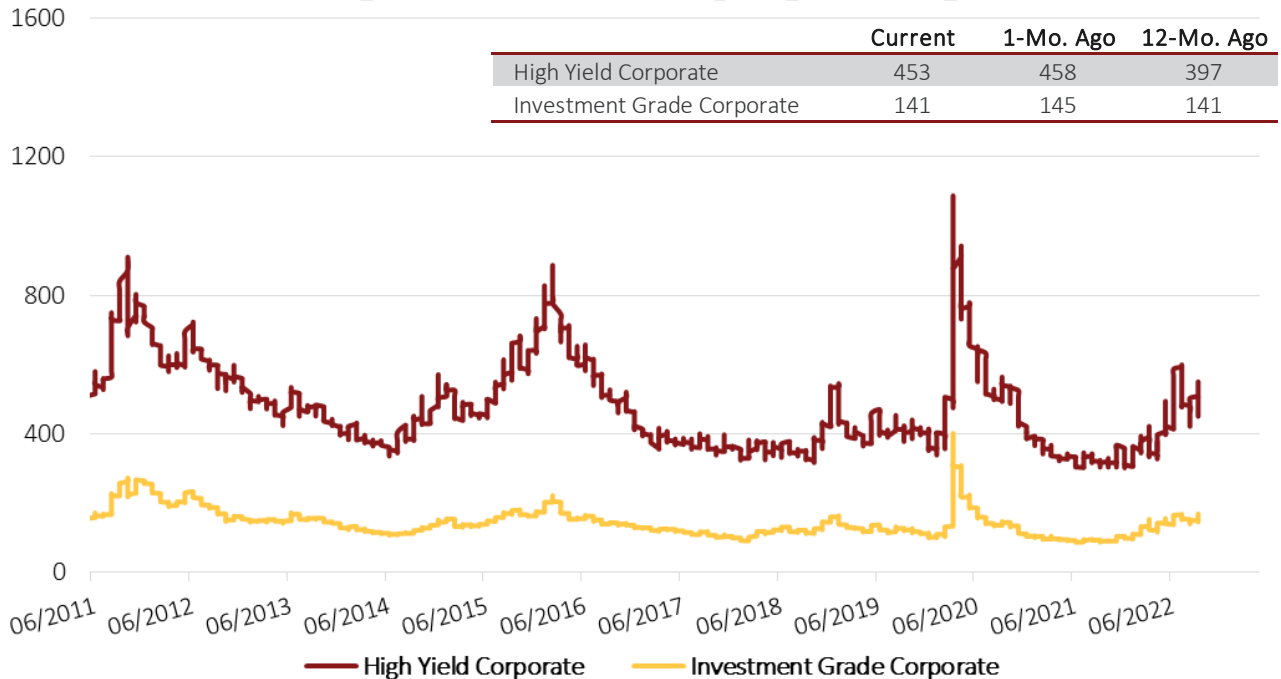
Central Bank Policy Rates

(as of April 1st, 2023)



Source: Federal Reserve Bank, Bank of England, European Central Bank, Trading Economics

Corporate Bond Average Spread (bps)



Source: Federal Reserve Bank