

# U.S. Economy Continues to Defy Expectations with Impressive 2023 Start

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## Monthly Market Summary

- The S&P 500 Index returned -2.5% in February, giving back a portion of its January gains and underperforming the Russell 2000 Index's -1.7% return. Cyclical sectors marginally outperformed in February, with Tech, Industrials, and Consumer Discretionary the top three performing sectors.
- Corporate investment grade bonds produced a -4.2% total return, trailing corporate high yield bonds' -1.9% total return. The negative bond returns occurred as Treasury yields increased following strong January economic data.
- International stocks underperformed for the first time since October as the U.S. dollar strengthened. The MSCI EAFE Index of developed market stocks returned -3.1%, outperforming the MSCI Emerging Market Index's -7.6% return.

## Data Indicates the U.S. Economy is Off to a Strong Start in 2023

Based on January economic data and fourth-quarter data revisions, the U.S. economy appears to be in a stronger position than economists forecasted. Job growth was robust in January as U.S. employers added 517,000 jobs, well above the average 291,000 jobs added each month in the fourth quarter. Consumer spending also exceeded expectations in January, with retail sales rising 3% month-over-month after two consecutive monthly declines to end 2022. Manufacturing output, as measured by industrial production, was unchanged in January after contracting in the final two months of 2022. Investors will want to see confirmation of recent strength in coming months, but it increasingly appears unlikely that a recession will begin in Q1 2023.

On a related note, January's data could strengthen the Federal Reserve's case to maintain a tighter policy stance for longer. There are two potential investment implications. First, the Federal Reserve may keep interest rates higher for longer, which would mean higher interest income for savers. Second, a longer period of restrictive monetary policy could have a more significant adverse impact on the economy and result in slower economic growth in the coming quarters and years. Despite market expectations for the central bank to stop raising interest rates in the first half of 2023, the Federal Reserve remains a key driver in financial markets.

## An Update on Fourth Quarter 2022 Earnings Season

As of February 27th, 94% of S&P 500 companies have reported fourth quarter earnings. Blended earnings growth, which combines actual results for companies that have reported and estimated results for companies that have yet to report, is -4.9% vs Q4 2021. If the decline holds, it will mark the S&P 500's first year-over-year earnings decrease since Q3 2020. Quarterly earnings growth is negative, but the results are not viewed as disastrous. However, the data indicates earnings momentum may be fading in the face of persistent macro headwinds, including the Federal Reserve's aggressive 2022 interest rate increases and rising input costs.

## THIS MONTH IN NUMBERS

FIGURE 1

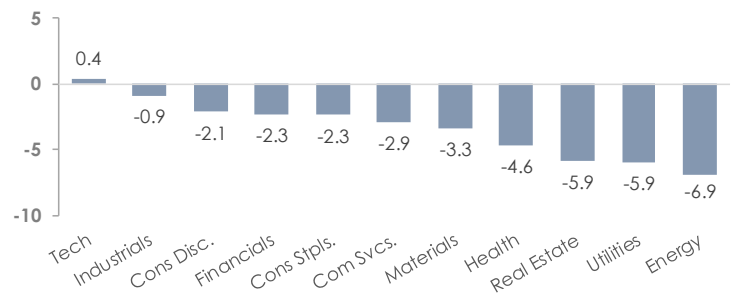
### U.S. Style Returns (February in %)

	Value	Blend	Growth
Large	-3.5	-2.5	-1.2
Mid	-3.2	-2.5	-1.0
Small	-2.3	-1.7	-1.2

Data Reflects Most Recently Available As of 2/28/2023

FIGURE 2

### U.S. Sector Returns (February in %)



Data Reflects Most Recently Available As of 2/28/2023

FIGURE 3

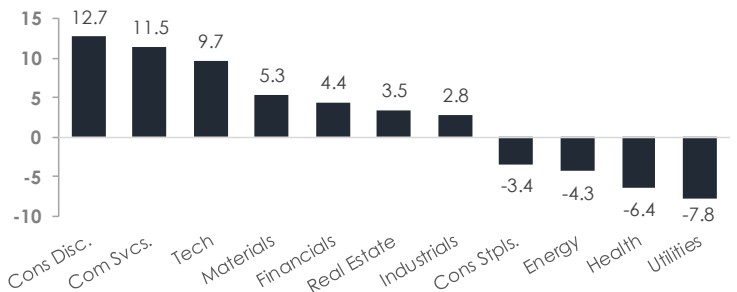
### U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	1.4	3.6	7.0
Mid	4.6	5.6	7.6
Small	7.2	7.9	8.6

Data Reflects Most Recently Available As of 2/28/2023

FIGURE 4

### U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 2/28/2023

FIGURE 5

### Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years
S&P 500	-2.5%	-2.4%	1.1%	3.6%	-7.8%	39.7%
Dow Jones	-4.0%	-5.2%	4.5%	-1.2%	-1.9%	35.2%
Russell 2000	-1.7%	0.9%	3.5%	7.9%	-6.2%	33.2%
Russell 1000 Growth	-1.2%	-1.2%	-1.4%	7.0%	-13.5%	39.5%
Russell 1000 Value	-3.5%	-2.6%	3.9%	1.4%	-3.0%	34.2%
MSCI EAFE	-3.1%	3.7%	12.8%	5.7%	-2.9%	21.0%
MSCI EM	-7.6%	-1.8%	-1.6%	0.9%	-16.2%	0.9%
NASDAQ 100	-0.4%	0.3%	-1.5%	10.2%	-14.7%	45.3%

	Dividend Yield	NTM P/E	P/B
S&P 500	1.60%	17.5x	3.8x
Dow Jones	1.96%	16.9x	4.3x
Russell 2000	1.37%	21.0x	2.0x
Russell 1000 Growth	0.85%	22.9x	9.1x
Russell 1000 Value	2.12%	14.5x	2.3x
MSCI EAFE	2.55%	13.0x	1.7x
MSCI EM	2.47%	12.1x	1.6x
NASDAQ 100	0.73%	23.1x	6.1x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.81%	-2.7%	-0.3%	0.6%	-9.6%	-10.4%
U.S. Corporates	5.60%	-4.2%	-0.8%	0.8%	-12.3%	-12.1%
Municipal Bonds	4.05%	-2.3%	-0.1%	0.1%	-4.4%	-3.8%
High Yield Bonds	8.68%	-1.9%	-0.1%	1.7%	-6.2%	0.2%

Commodities	Level	1 month	YTD
Oil (WTI)	77.05	-2.3%	-4.0%
Gasoline	2.45	-5.8%	-4.9%
Natural Gas	2.86	6.7%	-30.2%
Propane	0.82	-8.9%	18.0%
Ethanol	2.10	0.5%	-4.8%
Gold	1,837	-5.6%	0.6%
Silver	21.07	-11.6%	-12.4%
Copper	4.10	-3.1%	7.7%
Steel	1,054	33.8%	41.7%
Corn	6.30	-7.3%	-7.1%
Soybeans	14.93	-1.0%	-0.3%

Key Rates	2/28/2023	1/31/2023	11/30/2022	8/31/2022	2/28/2022	2/29/2020
2 yr Treasury	4.80%	4.21%	4.38%	3.44%	1.43%	0.88%
10 yr Treasury	3.92%	3.53%	3.70%	3.13%	1.84%	1.14%
30 yr Treasury	3.93%	3.66%	3.82%	3.25%	2.19%	1.67%
30 yr Mortgage	7.01%	6.47%	6.67%	5.95%	4.30%	3.62%
Prime Rate	7.75%	7.50%	7.00%	5.50%	3.25%	4.75%

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