

Independence Asset Advisors

MONTHLY MARKET REVIEW – August 2023

	August 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	-1.59%	18.73%	15.94%	10.52%	11.12%	12.81%
U.S. Small Cap Equities Russell 2000	-5.00%	8.96%	4.65%	8.12%	3.14%	7.96%
Energy Infrastructure Equities Alerian U.S. Midstream	0.26%	13.52%	13.96%	34.68%	8.63%	-
Core Infrastructure MSCI World Core Infrastructure	-3.01%	-1.17%	-2.69%	3.92%	3.22%	4.33%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-3.19%	5.34%	-3.17%	7.58%	2.48%	6.38%
Global Equities MSCI All Country World Index	-2.79%	14.80%	13.95%	7.23%	7.46%	8.56%
International Developed Equities MSCI EAFE	-3.83%	10.87%	17.92%	6.05%	4.14%	4.93%
Emerging Market Equities MSCI Emerging Markets	-6.16%	4.55%	1.25%	-1.39%	0.98%	2.99%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-0.64%	1.37%	-1.19%	-4.41%	0.49%	1.48%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-1.44%	1.59%	1.70%	-1.32%	1.52%	2.81%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	0.28%	7.13%	7.16%	1.81%	3.32%	4.47%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	1.17%	9.11%	9.42%	5.97%	4.40%	4.22%

MARKET UPDATE

- Global equity markets turned negative in August, but all major indexes remained positive for the year.
- In the U.S., “value” underperformed “growth” by 1.8% and remain comparatively discounted (P/E).
- At month-end, the S&P 500 Index needed to gain 8.0% to return to the January 2022 peak of 4,797.
- The U.S. equity market declines were primarily attributable to Fitch’s U.S. government credit downgrade.
- Incoming economic data remained solid in the U.S. with inflation results for July nearly unchanged (y/y).
- Non-U.S. equities fell sharply in August, a reflection of renewed stress in the Chinese property market.
- Eurozone Core inflation declined 0.2% on an annualized basis to 5.3% in July, but remained well ahead of the European Central Bank’s target, with markets continuing to price in further ECB rate increases this year.
- Investment grade bond indexes moved modestly lower in August as yields rose and prices declined.

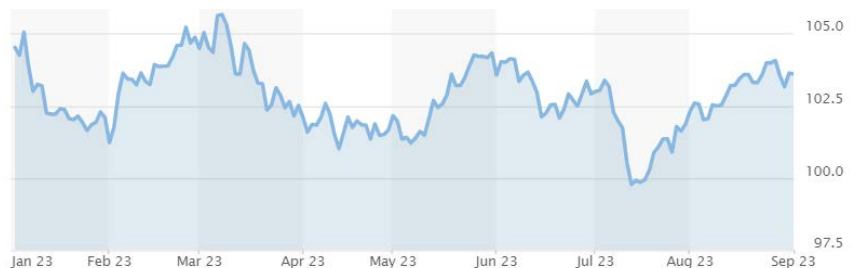
Sources: eVestment, Rothschild & Co., JP Morgan, xe.com, Trading Economics, MacroTrends, New York Times, MarketWatch, StatisticsCanada, Bloomberg, Capital Economics

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> Second quarter U.S. economic growth was revised lower, from a 2.4% annualized rate to a 2.1% annualized rate. The 2.1% revision was the <i>second estimate</i>, which reflected lower inventory investment as well as lower business spending on equipment. Growth momentum appears to have increased early in the third quarter.
Profits	<ul style="list-style-type: none"> As of this writing, approximately 94% of companies have reported earnings, reflecting y/y growth of 17.5% and q/q growth of 4.9%. 72% of companies had beaten earnings estimates, while only 53% had beaten revenue expectations.
Jobs	<ul style="list-style-type: none"> The August U.S. jobs report saw unemployment rise to 3.8%, the highest level in 18 months. The m/m increase was due to an increase in people entering the workforce.
Inflation	<ul style="list-style-type: none"> The core personal consumption expenditures price index (PCE), which excludes food and energy costs, increased to 4.2% on a year-over-year basis in July.
Interest Rates	<ul style="list-style-type: none"> There was no change to the Fed's policy rate in August, with the target rate remaining steady at 5.25%-5.50%. The Fed will meet again in late September with no rate increase expected.

CANADA:

- The U.S. dollar index (DXY) increased 1.7% in August and 0.1% year-to-date (see chart to the right), while the U.S. dollar strengthened 2.9% against the Canadian dollar to end the month with an exchange rate of **1.35425**.



- The Bank of Canada's policy rate did not change in August, remaining steady at 5.00%.
- The CIBC has three more opportunities to adjust interest rates this year.
- Canada's economy unexpectedly slowed in the second quarter, with GDP falling 0.2%, compared to the central bank's estimated growth rate of 1.5%.
- The quarterly slowdown was predominately attributable to declines in the housing market.
- The growth contraction suggests the Bank of Canada will hold rates steady when it meets in early September.
- According to Capital Economics, the Canadian economy may already have fallen into a modest economic recession.

COMMODITIES:

OIL:

- **The price of crude oil was \$83.57 per barrel (WTI).**
- Oil prices increased \$1.93 per barrel, or 2.4%, in August.
- The August price gain was attributable to tightening supply and expectations for OPEC+ to extend output cuts through year-end 2023.
- **Oil is forecasted to trade between \$82 and \$90 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$75.84	\$84.26	\$66.74	4%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$3.83 USD per pound.**
- Copper prices decreased \$0.19 per pound, or 4.7%, in August.
- The price decrease was attributable to increased production, and the price is expected to remain relatively stable amid expectations for higher demand and encouraging Chinese PMI data.
- **Copper is forecasted to trade at \$3.85 per pound by the end of Q3 and \$4.09 in 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$3.93	\$4.29	\$3.57	0%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- **The price of aluminum was \$2,208 USD per tonne.**
- Aluminum prices decreased \$75 per tonne, or 3.3%, in August.
- Aluminum prices reached a five week low in August amid signs of lower supply, with China's domestic production approaching its capacity limit.
- **Aluminum is forecasted to trade at \$2,110 USD/tonne by the end of Q3 and at \$1,983 in 12 months. The lower forecasted price is attributable to continued demand softness stemming from China's property sector decline.**

Year	Ave. Price	High	Low	% Change
2023	\$2,319	\$2,662	\$2,122	-7%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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