

Independence Asset Advisors

MONTHLY MARKET REVIEW – September 2023

	Sept 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	-4.77%	13.07%	21.62%	10.15%	9.92%	11.91%
U.S. Small Cap Equities Russell 2000	-5.89%	2.54%	8.93%	7.16%	2.40%	6.65%
Energy Infrastructure Equities Alerian U.S. Midstream	0.29%	13.85%	25.56%	40.32%	8.95%	5.69%
Core Infrastructure MSCI World Core Infrastructure	-3.63%	-4.76%	5.54%	3.87%	2.48%	3.44%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-7.01%	-2.05%	2.61%	6.11%	1.56%	5.28%
Global Equities MSCI All Country World Index	-4.14%	10.06%	20.80%	6.89%	6.46%	7.56%
International Developed Equities MSCI EAFE	-3.42%	7.08%	25.65%	5.75%	3.24%	3.82%
Emerging Market Equities MSCI Emerging Markets	-2.62%	1.82%	11.70%	-1.73%	0.55%	2.07%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-2.54%	-1.21%	0.64%	-5.21%	0.10%	1.13%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-2.93%	-1.38%	2.66%	-2.30%	1.05%	2.29%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	-1.18%	5.86%	10.28%	1.76%	2.96%	4.24%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	0.96%	10.16%	13.05%	6.08%	4.46%	4.30%

MARKET UPDATE

- Global equity markets ended the third quarter sharply negative, but most categories remain positive YTD.
- In the U.S., “value” outperformed “growth” in September, but underperformed by 1.5% in Q3.
- At month-end, the S&P 500 Index needed to gain 11.9% to return to the January 2022 peak of 4,797.
- The U.S. equity market declines were primarily attributable to mounting concerns about a U.S. government shutdown, which has been temporarily averted.
- Economic data showed lower core PCE inflation (y/y) amid favorable GDP growth in the second quarter.
- Non-U.S. equities declined amid an outlook for higher interest rates and softening in Chinese real estate.
- International equities ended September trading at a 30.5% price-to-earnings discount to U.S. equities.
- Investment grade bond indexes declined in September as yields increased and prices declined.
- At month-end, the investment grade corporate bonds yielded 6.0%, a 0.6% increase since 12/31/22.

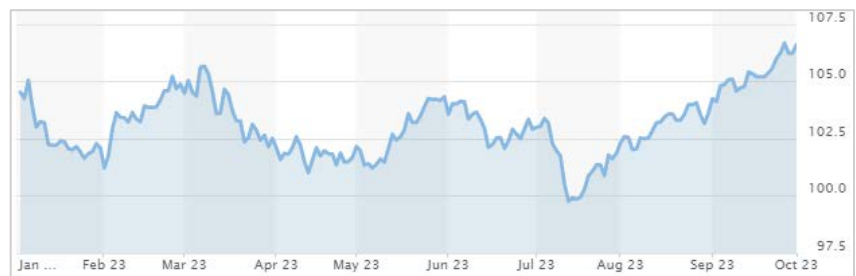
Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, New York Times, MarketWatch, StatisticsCanada, Bloomberg, Capital Economics, Reuters, Wall Street Journal, U.S. Dept of Labor/Bureau of Labor Statistics

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> The U.S. economy grew at a 2.1% annualized rate in the second quarter. Consumption was revised lower to 0.8%, while business fixed investment spending increased by 5.3%, the highest rate since the first quarter of 2022.
Profits	<ul style="list-style-type: none"> Earnings remained resilient in the second quarter, with a final measure of operating earnings per share of \$54.90, or y/y growth of 17.1%. 71% of companies beat earnings estimates, but only 53% beat on revenues.
Jobs	<ul style="list-style-type: none"> Employers added 336,000 jobs in September, the 33rd consecutive month of job growth. The September unemployment rate was unchanged from last month, holding steady at 3.8%.
Inflation	<ul style="list-style-type: none"> Headline PCE (Personal Consumption Expenditure) inflation accelerated to 3.5% in August on a y/y basis amid rising energy prices, while core PCE eased to 3.9%.
Interest Rates	<ul style="list-style-type: none"> The Fed elected to leave the federal funds rate unchanged at 5.25% to 5.50% when it met in September. The most recent "dot plot" reflected two 0.25% rate cuts in 2024, a reduction that was attributable to continued U.S. economic resilience.

CANADA:

- The U.S. dollar index (DXY) increased 2.5% in September and 2.6% year-to-date (see chart to the right), while the U.S. dollar strengthened 0.3% against the Canadian dollar to end the month with an exchange rate of **1.35**.



- The Bank of Canada elected to hold its policy rate steady at 5.0% when it met in September.
- The CIBC has two more opportunities to adjust interest rates this year (10/25 & 12/6).
- Canada's economy stalled in July and accelerated 0.1% in August.
- The halt in July was directly attributable to the manufacturing sector, which reported its largest monthly decline in more than two years, largely due to companies drawing down their inventories.
- Sectors that were impacted by wildfires bounced back in July, with mining/quarrying and accommodation/food services posting gains of 4.2% and 2.3%, respectively.
- Following the release of weaker GDP results, the probability of a rate increase in October declined from 31% to 27%.

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, New York Times, MarketWatch, StatisticsCanada, Bloomberg, Capital Economics, Reuters, Wall Street Journal, U.S. Dept of Labor/Bureau of Labor Statistics

COMMODITIES:

OIL:

- **The price of crude oil was \$90.79 per barrel (WTI).**
- Oil prices increased \$7.22 per barrel, or 8.6%, in September.
- Higher prices were supported by an expectation for no policy changes from OPEC+ and data showing that Chinese manufacturing activity has turned expansionary, which has boosted the demand outlook for the world's largest crude importer.
- **Oil is forecasted to trade between \$93 and \$101 per barrel over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$77.37	\$93.84	\$66.74	13%
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 \$3.74 USD per pound.**
- Copper prices decreased \$0.09 per pound, or 2.3%, in September.
- The decrease was attributable to a reduction in short-term demand, but lingering concerns of lower supply and uncertainty surrounding China's manufacturing sector support higher prices over the longer-term.
- **Copper is forecasted to trade between \$3.80 per pound and \$4.04 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$3.91	\$4.29	\$3.57	-2%
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 \$2,347 USD per tonne.**
- Aluminum prices increased \$139 per tonne, or 6.3%, in September.
- Aluminum prices recovered from their August low as supply pressures magnified signs of higher demand. The longer-term price target increased significantly after China halted the expansion of production capacity to prevent oversupply.
- **Aluminum is forecasted to trade between \$2,404 USD/tonne and \$2,551 over the next 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,309	\$2,662	\$2,122	-1%
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%

Sources: eVestment, JP Morgan, xe.com, Trading Economics, MacroTrends, New York Times, MarketWatch, StatisticsCanada, Bloomberg, Capital Economics, Reuters, Wall Street Journal, U.S. Dept of Labor/Bureau of Labor Statistics

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