

# Independence Asset Advisors

## MONTHLY MARKET REVIEW – April 2023

	Apr 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	1.56%	9.17%	2.66%	14.52%	11.45%	12.20%
U.S. Small Cap Equities Russell 2000	-1.80%	0.89%	-3.65%	11.90%	4.15%	7.88%
Energy Infrastructure Equities Alerian U.S. Midstream	1.63%	3.20%	9.18%	31.01%	9.26%	---
U.S. Real Estate Equities Dow Jones U.S. Select REIT	0.69%	3.48%	-16.55%	8.80%	4.50%	4.69%
Global Equities MSCI All Country World Index	1.44%	8.85%	2.06%	12.04%	7.03%	7.91%
International Developed Equities MSCI EAFE	2.82%	11.53%	8.42%	11.68%	3.63%	4.76%
Emerging Market Equities MSCI Emerging Markets	-1.13%	2.78%	-6.51%	4.33%	-1.05%	1.80%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	0.61%	3.59%	-0.43%	-3.15%	1.18%	1.32%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-0.23%	2.54%	2.87%	0.70%	2.06%	2.25%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.00%	4.60%	1.22%	4.71%	3.28%	4.01%
Floating Rate Loans S&P/LSTA Leveraged Loan	1.05%	4.14%	3.39%	7.31%	3.76%	3.81%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	0.29%	3.35%	-3.90%	-4.68%	-2.67%	-1.13%

## MARKET UPDATE

- Risk asset returns were mixed in April, but generally positive, despite renewed stress in the banking sector.
- U.S. large cap equities gained 1.6% with value stocks modestly outperforming growth stocks.
- U.S. business activity accelerated during the month as manufacturing and services sectors beat estimates.
- Core inflation rose from 5.5% in February to 5.6% y/y in March, while wage growth declined to 4.2% y/y.
- Outside of the U.S., developed equities gained on Eurozone and UK data that surprised on the upside.
- Mounting geopolitical concerns stemming from China more than offset a positive Q1 GDP result, which pushed the broad EM index down by more than 1.13%, despite mostly positive returns outside of Asia.
- In bond markets, the Treasury yield curve remained inverted in April, with the 2-yr/10-yr spread at 0.6%.
- High yield bonds and floating rate loans gained modestly, ending the month with yields of 8.5% and 11.3%.
- Global bonds have performed relatively well this year primarily driven by investment grade credit.

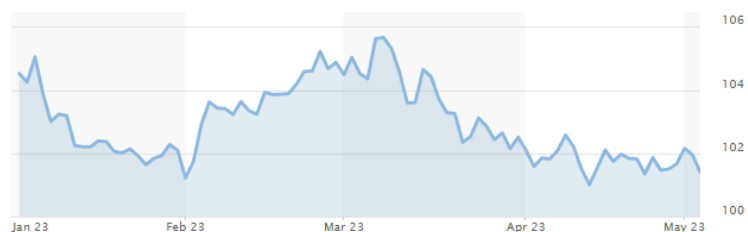
Sources: eVestment, JP Morgan, xe.com, bea.gov, Trading Economics, MacroTrends, MarketWatch, bankofcanada.ca, investing.com, BBC News

## IAA's WATCH LIST:

Category	Comments
<b>Growth</b>	<ul style="list-style-type: none"> <li>U.S. economic growth decelerated considerably, quarter-over-quarter, with real GDP growth decreasing to an annualized rate of 1.1% in Q1, down from a 2.6% pace in the fourth quarter of 2022.</li> <li>Notable detractors from economic growth included lower equipment spending and business investment spending.</li> <li>Headwinds include lower consumer discretionary spending and tighter lending conditions; normalizing inventory levels is a tailwind.</li> </ul>
<b>Jobs</b>	<ul style="list-style-type: none"> <li>The March Jobs report was positive with data indicating the labor market remains tight.</li> <li>The report suggested some deceleration, notably in non-payroll employment, but it also confirmed the U.S. economy was not in a recession in Q1.</li> </ul>
<b>Inflation</b>	<ul style="list-style-type: none"> <li>March inflation data was better than expected with Headline CPI (all inflation categories) increasing by 0.1% m/m and 5.0% y/y; this was the smallest y/y increase since May 2021.</li> <li>Excluding food and energy prices, which declined 0.3% m/m and 3.5% m/m, respectively, Core CPI increased by 0.4% m/m and 5.6% y/y.</li> <li>Core PCE, the Fed's preferred gauge of inflation, decreased 0.1% to 4.6% y/y.</li> </ul>
<b>Interest Rates</b>	<ul style="list-style-type: none"> <li>The Fed raised interest rates by 0.25% in May, its 10<sup>th</sup> hike in 14 months, to a 16-year high range of 5.00%-5.25%.</li> <li>Chairman Powell refused to rule out further action, suggesting the Fed will continue to be "driven by incoming data," but acknowledged the Committee no longer anticipated additional interest rate increases.</li> </ul>

## CANADA:

- The U.S. dollar index (DXY) declined 1.8% year-to-date, including a 0.8% decrease in April (see chart to the right).
- The U.S. dollar strengthened 0.1% year-to-date and 0.2% in April against the Canadian dollar to end the month with an exchange rate of **1.35508**.
- The Bank of Canada has not changed its Policy interest rate of 4.50% since the last increase of 0.25% in January 2023.
- While the central bank seemed poised to raise rates further, economic growth and inflation measures have moderated and there is no current guidance to suggest another rate hike should be expected this year.



## COMMODITIES:

### OIL:

- **The price of crude oil was \$76.78 per barrel (WTI).**
- Oil prices increased \$1.11 per barrel, or 1.5%, in April, and decreased \$3.73, or 3.7%, year-to-date.
- U.S. crude oil exports hit a record 4.5 million barrels per day in March, amid rising fuel demands in China, which pushed prices higher in April.
- **Oil is forecasted to trade between \$79 and \$89 per barrel this year based on an expected reduction in inventory and a stable level of demand.**

Year	Ave. Price	High	Low	% Change
2023	\$76.73	\$83.13	\$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 \$3.90 USD per pound.**
- Copper prices decreased \$0.18 per pound, or 4.4%, in April, and increased \$0.08, or 2.1%, year-to-date.
- Copper prices decreased in April amid weaker Chinese demand. China's manufacturing unexpectedly decreased during the month, and the copper premium has halved since mid-March.
- **Copper is forecasted to trade at \$3.96 per pound by the end of Q2 and \$3.70 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$4.05	\$4.29	\$3.74	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 \$2,356 USD per tonne.**
- Aluminum prices decreased \$57 per tonne, or 2.4%, in April, and \$22, or 0.9%, year-to-date.
- Aluminum futures traded well below their seven month peak of \$2,658 per tonne, reached on January 25<sup>th</sup>, amid weaker demand and rising output in China. Recession concerns are expected to reduce demand, but historically low inventories should moderate the price decline.
- **Aluminum is forecasted to trade at \$2,256 USD/tonne by the end of Q2 and at \$2,096 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,423	\$2,658	\$2,273	-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%