

# Independence Asset Advisors

## MONTHLY MARKET REVIEW – FEBRUARY 2023

	Feb 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	-2.44%	3.69%	-7.69%	12.15%	9.82%	12.25%
U.S. Small Cap Equities Russell 2000	-1.69%	7.89%	-6.01%	10.08%	6.01%	9.06%
Energy Infrastructure Equities Alerian U.S. Midstream Energy	-2.57%	2.03%	13.32%	19.98%	9.38%	--
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-4.93%	5.51%	-13.43%	3.25%	6.02%	5.87%
Global Equities MSCI All Country World Index	-2.87%	4.10%	-8.26%	8.81%	5.82%	7.93%
International Developed Equities MSCI EAFE	-2.09%	5.84%	-3.14%	6.84%	2.64%	4.83%
Emerging Market Equities MSCI Emerging Markets	-6.48%	0.90%	-15.28%	0.97%	-1.87%	1.52%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-2.59%	0.41%	-9.72%	-3.77%	0.53%	1.12%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-2.26%	0.55%	-5.10%	-1.60%	1.66%	2.11%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	-1.29%	2.47%	-5.46%	1.34%	2.87%	4.09%
Floating Rate Loans S&P/LSTA Leveraged Loan	0.59%	3.34%	2.87%	3.94%	3.75%	3.88%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	-3.99%	-0.65%	-16.69%	-6.32%	-3.61%	-1.41%

## MARKET UPDATE

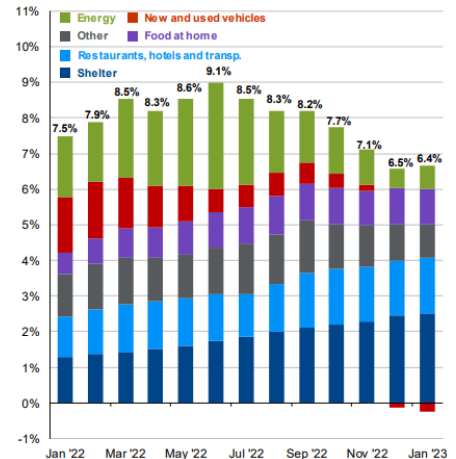
- Markets declined in February but the primary equity and fixed income indexes remained up for the year.
- The monthly declines were primarily attributable to the release of unexpectedly resilient economic data, which led investors to reassess their expectations for peak interest rates (good news is bad news).
- U.S. equities declined 2.4% during the month as the prospect for near-term monetary easing diminished.
- REITs fell nearly 5% amid headwinds including cooling aggregate demand and variable-rate debt expenses.
- Developed non-U.S. equities performed better on a relative basis, aided by a fall in energy prices.
- Emerging markets equities were negatively affected by escalating geopolitical tensions and fell 6.5%.
- Investment grade bonds declined by 2.6% in February as both taxable and municipal yields increased.
- High yield bonds and leveraged loans performed better than their investment grade counterparts, and offered compellingly higher yields of 8.6% and 11.0%, respectively.

Sources: JP Morgan, xe.com, eVestment, WSJ, Bloomberg, TradingEconomics, Macrotrends, bea.gov, bls.gov, Ycharts, Reuters, Dow Jones, CNBC

# IAA's WATCH LIST:

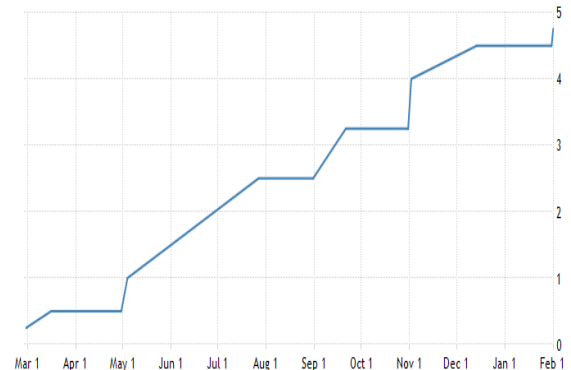
## INFLATION:

- March 2023 will mark one year since the Fed launched its first rate hike in the current tightening cycle. The Fed's aggressive agenda appears to have quelled some of the inflation that inspired the policy shift, but with inflation still well above the Fed's 2% target, it seems reasonable to expect more rate increases in the months ahead.
- The Core Personal Consumption Expenditures Price Index, or Core PCE, the Fed's preferred gauge of inflation, increased by 0.6% in January to annualized rate of 4.7%.
- Housing/Shelter contributed to the higher inflation reading as there was no material impact from either food or energy.



## INTEREST RATES:

- The U.S. Federal Reserve raised interest rates by 0.25% as February began, increasing its policy range to 4.50%-4.75%.
- Guidance suggests additional rate increases are likely when the Fed meets again in March and May.
- The market's terminal rate projection is slightly higher than that of the Fed, at 5.4%, by July 2023.



## CANADA:

- The U.S. dollar index (DXY) gained 2.7% in February, while the U.S. dollar strengthened 2.1% against the Canadian dollar to end the month with an exchange rate of **1.36137** (see chart right).
- Economic growth stalled in the fourth quarter of 2022, but preliminary data suggests a modest increase in January 2023.
- The Bank of Canada has raised its benchmark interest rate at a record pace to 4.5%, but will pause the tightening campaign as it appears higher interest rates have begun to slow consumer demand.



## COMMODITIES:

### OIL:

- **The price of crude oil was \$77.05 per barrel.**
- Oil prices decreased \$1.82 per barrel, or 2.3%, in February.
- Oil prices were mixed amid the prospect of a recovery in Chinese demand and lower growth in the U.S. Chinese imports are expected to hit a record high in 2023, while the U.S. manufacturing sector declined for four straight months.
- **Oil is forecasted to trade at \$79.36 per barrel by the end of Q1 and at \$89.22 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$77.62	\$81.62	\$72.84	-3%
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 \$4.07 USD per pound.**
- Copper prices decreased \$0.16 per pound, or 3.8%, in February.
- Copper prices rebounded at month-end as new data showed a sharp recovery in the China's industrial sector. Persistently tight supply also supported copper prices.
- **Copper is forecasted to trade at \$3.86 per pound by the end of Q1 and \$3.61 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$4.10	\$4.29	\$3.74	9%
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 \$2,373 USD per tonne.**
- Aluminum prices decreased \$291 per tonne, or 10.2%, in February.
- Historically low global inventories, along with the prospect of more robust demand, supported Aluminum fundamentals. China's steps to boost its economy further lifted the outlook for demand.
- **Aluminum is forecasted to trade at \$2,274 USD/tonne by the end of Q1 and at \$2,101 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,495	\$2,638	\$2,273	0%
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%