

Independence Asset Advisors

MONTHLY MARKET REVIEW – JANUARY 2023

	Jan 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	6.28%	6.28%	-8.22%	9.88%	9.54%	12.68%
U.S. Small Cap Equities Russell 2000	9.75%	9.75%	-3.38%	7.51%	5.54%	9.36%
Energy Infrastructure Equities Alerian U.S. Midstream Energy	4.72%	4.72%	23.35%	16.00%	7.65%	-
U.S. Real Estate Equities Dow Jones U.S. Select REIT	10.98%	10.98%	-12.16%	1.97%	5.50%	6.49%
Global Equities MSCI All Country World Index	7.17%	7.17%	-7.99%	6.83%	5.53%	8.24%
International Developed Equities MSCI EAFE	8.10%	8.10%	-2.83%	4.25%	2.13%	4.95%
Emerging Market Equities MSCI Emerging Markets	7.90%	7.90%	-12.12%	1.40%	-1.48%	2.07%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	3.08%	3.08%	-8.36%	-2.35%	0.86%	1.43%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	2.87%	2.87%	-3.25%	-0.42%	2.07%	2.38%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	3.81%	3.81%	-5.22%	1.29%	2.96%	4.28%
Floating Rate Loans S&P/LSTA Leveraged Loan	2.73%	2.73%	1.75%	3.28%	3.67%	3.84%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	3.48%	3.48%	-14.18%	-5.10%	-2.98%	-1.20%

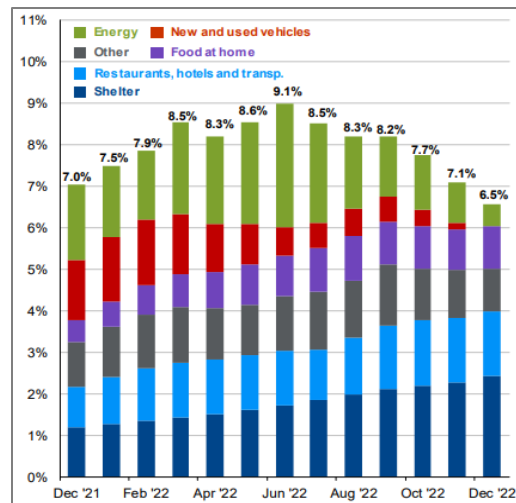
MARKET UPDATE

- January was a very rewarding month for investors with positive returns across virtually all major markets.
- December 2022 readings in the U.S. and Eurozone showed slowing inflation, which gave markets hope that central banks would continue to moderate the pace of rate increases.
- The U.S. December labor market report showed stronger than expected job growth and a fall in the unemployment rate to 3.5%. Average hourly wage earnings rose 4.6%, year-on-year.
- Global equity markets gained more than 7%. U.S. equities added 6.3%, with “value” stocks outperforming “growth” stocks by 1.4%. U.S. public real estate gained more than 10%, which partially offset the 26% decline in 2022.
- The relatively mild winter to this point has defused the energy crisis in Europe, and the quick end to China’s zero-COVID policy pushed emerging market equities higher.
- Bond yields declined, leading to broad gains for U.S and global fixed income.

IAA's WATCH LIST:

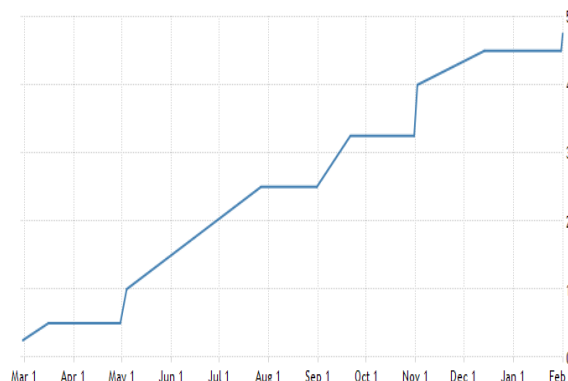
INFLATION:

- The Federal Reserve continued to battle high inflation when it raised its key interest rate a quarter-point at month-end; the eighth rate increase since liftoff in March 2022.
- The Fed has acknowledged the pace of inflation has slowed.
- The Core Personal Consumption Expenditures Price Index, or Core PCE, the Fed's preferred gauge of inflation, declined 0.3% in December to an annualized rate of 4.4%, but remained above the Fed's 2% target, suggesting additional rate hikes are likely.



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 two additional 0.25% rate increases are likely when the Fed meets again in March and May.
- Fed Chair Powell stated that “a couple more” rate increases were being considered to ensure price pressures fully resolve.



CANADA:

- The U.S. dollar index (DXY) fell by more than 3% in January, while the U.S. dollar weakened 1.5% against the Canadian dollar to end the month with an exchange rate of **1.3334** (see chart right).
- Economic growth has slowed in Canada with little to no growth in November/December.
- Canada's economy grew at annualized rates of about 3% in each the second and third quarters. The loss of momentum is a trend that is expected to continue into a mild recession.



COMMODITIES:

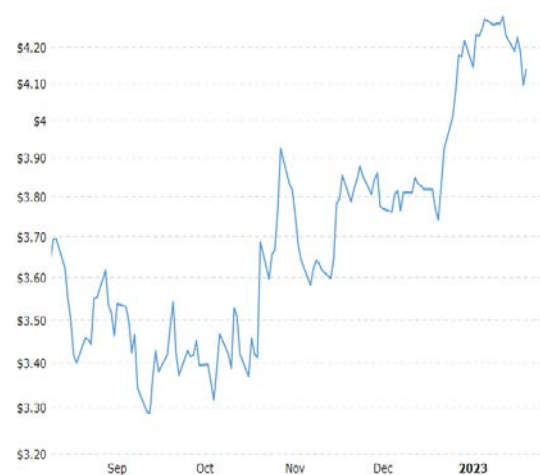
OIL:

- **The price of a barrel of crude oil decreased 2% in January to \$78.87 per barrel.**
- The average price of regular gasoline increased \$0.28 to approximately \$3.50 per gallon.
- Oil prices have steadily declined since June 2022, despite ongoing concerns about oil output from OPEC members and increased demand in China. **Oil is expected to trade at \$82.85/barrel by the end of Q1 and \$93.15/barrel in 12-months.**



COPPER:

- **The price of copper was \$4.23 USD per pound.**
- Copper prices increased 10.7% in January, but remain 14.4% below the March 2022 peak.
- Copper prices have been boosted by supply disruptions at the MMG Las Bambas mine in Peru, which accounts for 2% of global production. The timing of the disruption coincides with higher expected demand from China.
- **Copper is forecasted to trade at \$4.13 per pound by the end of Q1 and \$3.86 in 12-months.**



ALUMINUM:

- **The price of aluminum was \$2,664 USD per tonne.**
- Aluminum prices increased 11.2% January, but remain 31.3% below the record high price of \$3,849 per tonne in March of 2022.
- Expectations are for higher demand with concerns that supply shortages will persist. Chinese demand is expected to increase as its economy revitalizes after the end of COVID-induced lockdowns. Supply is expected to remain lower due to cuts in European output.
- **Aluminum is forecasted to trade at \$2,558 USD/tonne by the end of Q1 and at \$2,362 in 12 months.**

December 31, 2022	2401.69
November 30, 2022	2350.72
October 31, 2022	2255.54
September 30, 2022	2224.76
August 31, 2022	2430.79
July 31, 2022	2408.42
June 30, 2022	2563.44
May 31, 2022	2830.32
April 30, 2022	3244.41
March 31, 2022	3498.37