

Independence Asset Advisors

MONTHLY MARKET REVIEW – March 2023

	Mar 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	3.67%	7.50%	-7.73%	18.60%	11.19%	12.24%
U.S. Small Cap Equities Russell 2000	-4.78%	2.74%	-11.16%	17.51%	4.71%	8.04%
Energy Infrastructure Equities Alerian U.S. Midstream	-0.47%	1.55%	5.74%	46.09%	10.58%	-
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-2.60%	2.77%	-20.98%	11.32%	4.66%	5.31%
Global Equities MSCI All Country World Index	3.08%	7.31%	-7.44%	15.36%	6.93%	8.06%
International Developed Equities MSCI EAFE	2.48%	8.47%	-1.38%	12.99%	3.52%	5.00%
Emerging Market Equities MSCI Emerging Markets	3.03%	3.96%	-10.70%	7.83%	-0.91%	2.00%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	2.54%	2.96%	-4.78%	-2.77%	0.91%	1.36%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	2.22%	2.78%	0.26%	0.35%	2.03%	2.38%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.07%	3.57%	-3.34%	5.91%	3.21%	4.10%
Floating Rate Loans S&P/LSTA Leveraged Loan	-0.28%	3.05%	2.54%	8.52%	3.63%	3.76%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	3.73%	3.06%	-10.72%	-4.13%	-3.18%	-0.99%

MARKET UPDATE

- Favorable returns in January and March more than offset losses in February, resulting in unexpectedly positive first quarter returns for the primary global equity and fixed income indexes.
- The bank failures that occurred in March diverted attention away from inflation, but price increases remained well ahead of pre-pandemic levels, and some additional tightening is expected.
- Sharply higher interest rates and rising corporate vacancy concerns drove REITs down over the past year.
- Non-U.S. equities gained an average of 6.9% (MSCI ACWI ex-U.S.) in the first quarter. China delivered +6% GDP growth after reopening. In Europe, the widely anticipated energy crisis did not materialize, avoiding a recession across the continent.
- U.S. investment bonds gained nearly 3% in the first quarter, but yields have fallen from their 2022 highs.

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> Concerns of financial instability and credit tightening stemming from banking sector turmoil have created new headwinds for the U.S. economy that could increase the risk of a recession later this year. According to JP Morgan, "We will likely see weak real GDP growth with a greater than 50% chance of tipping into a recession by the end of this year."
Jobs	<ul style="list-style-type: none"> The unemployment rate at the end of February was 3.6%, or 0.1% above its 50-year low in 2019. Unemployment could rise as business expenses are set to increase and bank lending conditions tighten following the bank deposit flight in March.
Inflation	<ul style="list-style-type: none"> Headline CPI decreased from a peak of 8.9% YoY in June 2022, to 6.0% YoY in February. Guidance suggests inflation will decline to 4.0% YoY in 2023.
Interest Rates	<ul style="list-style-type: none"> The Fed increased rates by 0.25% in March to a target range of 4.75%-5.0%, with the potential for one more 0.25% increase in May.

CANADA:

- The U.S. dollar index (DXY) declined 1.0% in the first quarter (see chart to the right), while the U.S. dollar weakened 0.1% against the Canadian dollar to end the quarter with an exchange rate of **1.35265**.
- The Bank of Canada was the first major central bank to pause interest rate hikes in March after completing eight consecutive increases. While inflation has eased to 5.2% in February, the economy appears to be expanding faster than anticipated.
- The Canadian economy grew more than expected in January (+0.5% actual vs +0.3% forecast), and guidance suggests additional economic growth could be expected in February (+0.3% preliminary).
- According to BMO Capital Markets, the "double-barreled blast of strength is well above even the most optimistic views," and could fuel inflation concerns by the central bank.



COMMODITIES:

OIL:

- **The price of crude oil was \$75.67 per barrel (WTI).**
- Oil prices decreased \$4.84 per barrel, or 6.0%, in the first quarter.
- According to the International Energy Agency, China's economic recovery is expected to boost demand to record levels in 2023.
- **Oil is forecasted to trade between \$80 and \$95 per barrel this year as OPEC+ cuts output by another million barrels per day.**

Year	Ave. Price	High	Low	% Change
2023	\$76.17	\$81.62	\$66.74	-6%
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 \$4.08 USD per pound.**
- Copper prices increased \$0.26 per pound, or 6.8%, in the first quarter.
- Copper prices moved higher as lower output from Chile, the top global producer, met increased demand from China.
- **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	\$4.08	\$4.29	\$3.74	7%
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 \$2,413 USD per tonne.**
- Aluminum prices increased \$35 per tonne, or 1.5%, in the first quarter.
- Record high Chinese production offset lower global inventories to neutralize price swings in the first quarter. Looking ahead, production is expected to increase further, pushing pricing guidance lower.
- **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	\$2,440	\$2,662	\$2,273	4%
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%