

Independence Asset Advisors

MONTHLY MARKET REVIEW – May 2023

	May 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	0.43%	9.65%	2.92%	12.92%	11.01%	11.99%
U.S. Small Cap Equities Russell 2000	-0.92%	-0.04%	-4.68%	9.23%	2.47%	7.36%
Energy Infrastructure Equities Alerian MLP ETF	-2.34%	2.68%	0.74%	21.88%	2.46%	-0.24%
U.S. Real Estate Equities Dow Jones U.S. Select REIT	-3.06%	0.35%	-11.86%	8.21%	4.34%	5.54%
Global Equities MSCI All Country World Index	-1.07%	7.68%	0.85%	10.07%	6.77%	7.82%
International Developed Equities MSCI EAFE	-4.23%	6.81%	3.06%	8.53%	3.21%	4.56%
Emerging Market Equities MSCI Emerging Markets	-1.68%	1.05%	-8.49%	3.47%	-0.67%	1.90%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-1.09%	2.46%	-2.14%	-3.65%	0.81%	1.39%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	-0.87%	1.65%	0.49%	-0.64%	1.65%	2.28%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	-0.92%	3.64%	0.05%	2.90%	3.10%	3.98%
Floating Rate Loans S&P/LSTA Leveraged Loan	-0.18%	3.94%	5.91%	5.92%	3.69%	3.77%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	-2.69%	0.57%	-6.49%	-5.64%	-2.84%	-1.01%

MARKET UPDATE

- Market sentiment shifted in May amid growing concern about a possible U.S. debt default.
- May losses were widespread, although most global equity and fixed income remained positive for the year.
- U.S. equities gained 0.4%, led by technology stocks, which represented 28% of the S&P 500 Index.
- Growth has outperformed value by 9% in 2023, but remains expensive with a P/E of 24.6% (18.7% average).
- The S&P 500 was 4,180 at month-end, which would require a 15% gain to reach the 2022 peak of 4,797.
- Non-U.S. equities declined in May amid heightened geopolitical concerns and tighter monetary policy.
- Despite a challenging May, international equity valuations remained attractive relative to U.S. equities.
- At month-end, the international price-to-earnings discount vs U.S. equities was 31%, or nearly 2 std. dev.
- Bond index total returns were negative in May as yields moved modestly higher.
- Bond yields remained near the top of their 10-year ranges, and well over their 10-year averages.

Sources: eVestment, AJO, Reuters, MarketWatch, xe.com, JP Morgan, Trading Economics, MacroTrends, bea.gov, Statista.com

IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> The second estimate of real gross domestic product (GDP) showed the U.S. economy grew by a slightly higher annual rate of 1.3% in the first quarter, up from a 1.1% initial estimate. The 0.2% increase reflected an upward revision to inventory investment. U.S. economic growth has declined for two consecutive quarters, following annual rates of 3.2% and 2.6% in Q3 '22 and Q4 '22, respectively.
Jobs	<ul style="list-style-type: none"> The labor market remained strong despite persistently high inflation and ten consecutive central bank interest rate increases. Economists are predicting 190,000 jobs in May, which will fall well short of the 253,000 new jobs added in April, but will remain above the average monthly gain in the years leading up to the pandemic. The unemployment rate is expected to remain near the 53-year low of 3.4%.
Inflation	<ul style="list-style-type: none"> The Core Personal Consumption Expenditures Price Index, or PCE Index, increased 0.4%, month-over-month, to an annualized rate of 4.4% in April. This rate was above the Fed's long-term target, but a full percentage point lower than the annualized rate of 5.4% reported in January.
Interest Rates	<ul style="list-style-type: none"> The FOMC voted unanimously in May to raise interest rates by 0.25%, to a 16-year high range of 5.00%-5.25%. Fed Chairman Powell rejected the idea of rate cuts later this year, as the Committee predicts inflation will decline more slowly than the market expects.

CANADA:

- The U.S. dollar index (DXY) increased 0.8% year-to-date, including a 2.6% gain in May (see chart to the right).
- The U.S. dollar strengthened 0.4% year-to-date and 0.3% in May against the Canadian dollar to end the month with an exchange rate of **1.35894**.
- The Bank of Canada's central bank policy rate was unchanged at 4.5%.
- The Canadian economy expanded faster than expected in the first quarter, at an annualized rate of 3.1%, and preliminary data shows further acceleration in April.
- April inflation data showed acceleration for the first time in ten months, to an annual pace of 4.4%.
- With GDP and inflation now outpacing expectations, the likelihood that the Bank of Canada will increase interest rates by 0.25% in June has increased to 40%.



Sources: eVestment, AJO, Reuters, MarketWatch, xe.com, JP Morgan, Trading Economics, MacroTrends, bea.gov, Statista.com

COMMODITIES:

OIL:

- **The price of crude oil was \$67.69 per barrel (WTI).**
- Oil prices decreased \$9.09 per barrel, or 11.8%, in May, and decreased \$12.82, or 15.9%, year-to-date.
- May oil prices decreased amid concerns about a U.S. debt default and further monetary tightening.
- **Oil is forecasted to trade between \$73 and \$81 per barrel this year. A survey of 43 economists and analysts suggested economic headwinds will keep oil prices below \$90 per barrel this year.**

Year	Ave. Price	High	Low	% Change
2023	\$75.79	\$83.13	\$66.74	-16%
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 \$3.68 USD per pound.**
- Copper prices decreased \$0.22 per pound, or 5.6%, in May, and \$0.14, or 3.7%, year-to-date.
- Copper prices rebounded from the 6-month low of \$3.57, recorded on May 25th, amid mounting supply concerns and expectations of further monetary stimulus in China.
- **Copper is forecasted to trade at \$3.58 per pound by the end of Q2 and \$3.35 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$3.99	\$4.29	\$3.57	-4%
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 \$2,249 USD per tonne.**
- Aluminum prices decreased \$107 per tonne, or 4.5%, in May, and \$129, or 5.4%, year-to-date.
- Aluminum prices trended downward in May as Russian aluminum inventories increased to represent more than 50% of the total stock in London Metal Exchange (LME) warehouses. The higher percentage of Russian metal in LME warehouses is viewed as a bearish risk to the price of Aluminum.
- **Aluminum is forecasted to trade at \$2,160 USD/tonne by the end of Q2 and at \$2,020 in 12-months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,393	\$2,662	\$2,205	-5%
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%