

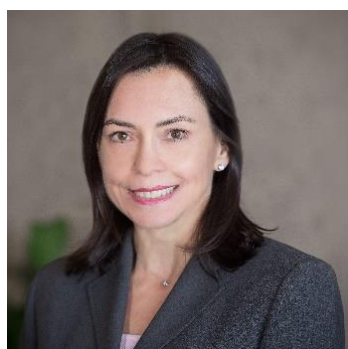
## The Balog Group at Morgan Stanley

### Breaking Down The Numbers: 1Q2023

- 1. Up vs. Down.** In the first quarter there was 62 trading days. 33 of those days were up with an average move of +0.93%, while 29 of those days were down with an average move of -0.81%. The market overall for the quarter was up 7.5%.<sup>[1,2]</sup>
- 2. Growth Making a Comeback.** Growth-oriented stocks struggled compared to Value names in 2022. However, growth stocks staged a bit of a comeback in the first quarter returning +9.6% vs. Value names returning only +5.2%.<sup>[2]</sup>
- 3. Bigger = Better.** Bigger companies have been performing much better so far this year compared to smaller companies. The 50 largest companies, weighted by size performed 12.8%, while the Russell 2000 (an index of small and mid size stocks) performed only 2.7%.<sup>[2]</sup>
- 4. What are the Odds?** There have been 12,167 trading days dating back to 01/02/1975. Had you picked any of those days at random and held the stock market (measured by the S&P 500) for 1yr, you would have had a 77% chance of being profitable (excluding dividends). Had your holding period been 5yr's your odds would have improved to 84%. Had you held stocks for 10yrs the odds of being profitable increased to 94% (again, excluding dividends and just looking at price returns only)<sup>[1]</sup>
- 5. Inversion.** The 2YR Treasury rate ended the quarter at 4.06% compared to the 10YR Treasury rate being at 3.48%. The yield curve hasn't been this inverted since 1982.<sup>[1,3]</sup>
- 6. Now Hiring.** The number of job openings (10M+) still outnumber the number of currently unemployed individuals (~6M). The unemployment rate is just 3.6%<sup>[4]</sup>
- 7. Rosie the Riveter'ing.** Women were more likely than men to be displaced in the workplace during the pandemic, and many were slow to return – however in 2023 more Women are working in America again when compared to pre-pandemic levels. The labor force participation rate by women is now at 57.2% compared to just 32% in 1942.<sup>[4]</sup>
- 8. Inflation Cooling, But Still Hot.** The Consumer Price Index hit a peak YoY growth of just under 9% in 2022. It's last reading came in lower at 6%, but is still higher than the Fed's long-term desired rate of 2%<sup>[5]</sup>
- 9. Supply Chains Resolved.** The pandemic wreaked havoc on supply chains around the world sending the NY Fed's Global Supply Chain Pressure Index up to a record 4.31, but it has subsequently come back down to pre-pandemic levels and now reads -0.26<sup>[6]</sup>
- 10. The Cost of Freight Normalized.** Part of what led to high inflation was the cost of shipping freight across our oceans – at it's peak the Freightos Index stated the average freight cost \$11,109 in September of 2021. It's last reading has the average cost back down to pre-pandemic levels of just \$1,481.<sup>[7]</sup>
- 11. Rare Whisky for the Win.** Luxury investments such as art & sports car saw a rise in prices in 2022, but over the last decade only rare whisky outperformed stocks according to the Knight Frank Luxury Investment Index.<sup>[8,9]</sup>



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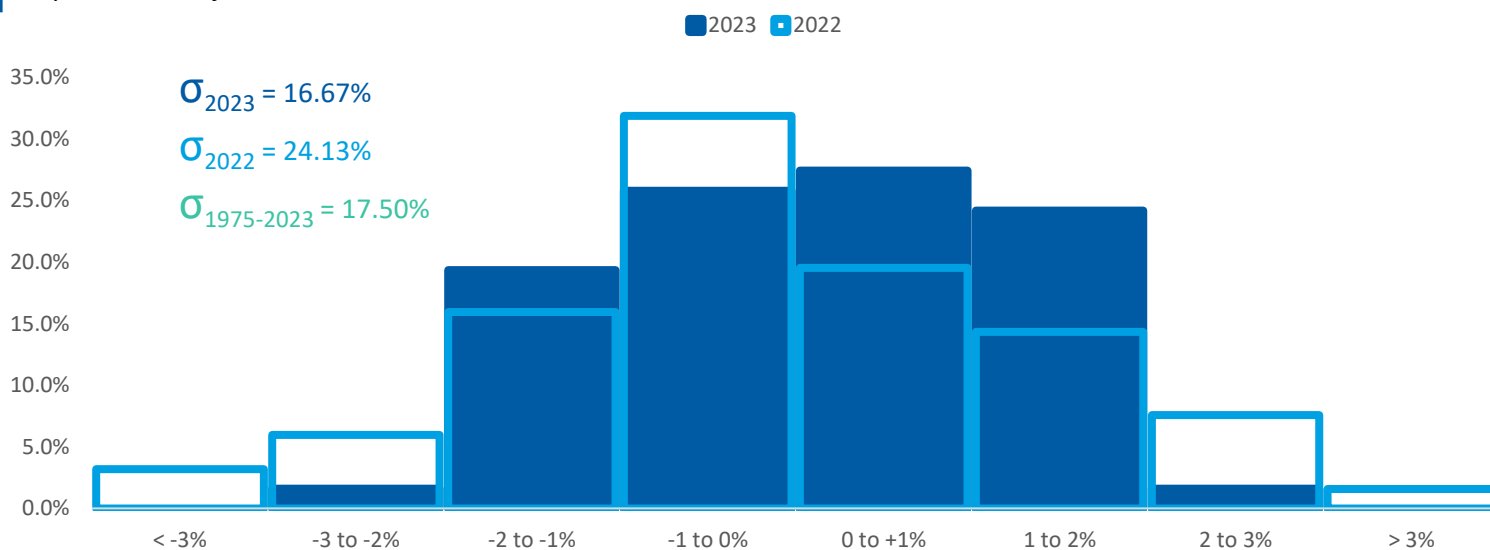
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### Breaking Down The Numbers: 1Q2023 [continued]

#### Despite Big Headline News, 2023 Has Been Less Volatile So Far...

During the 62 trading days in Q1, the standard deviation has been significantly less than 2022's and lower than the volatility data since 1975, though not by much. There was 33 positive days, and 29 negative days, with an average move of +0.12%.

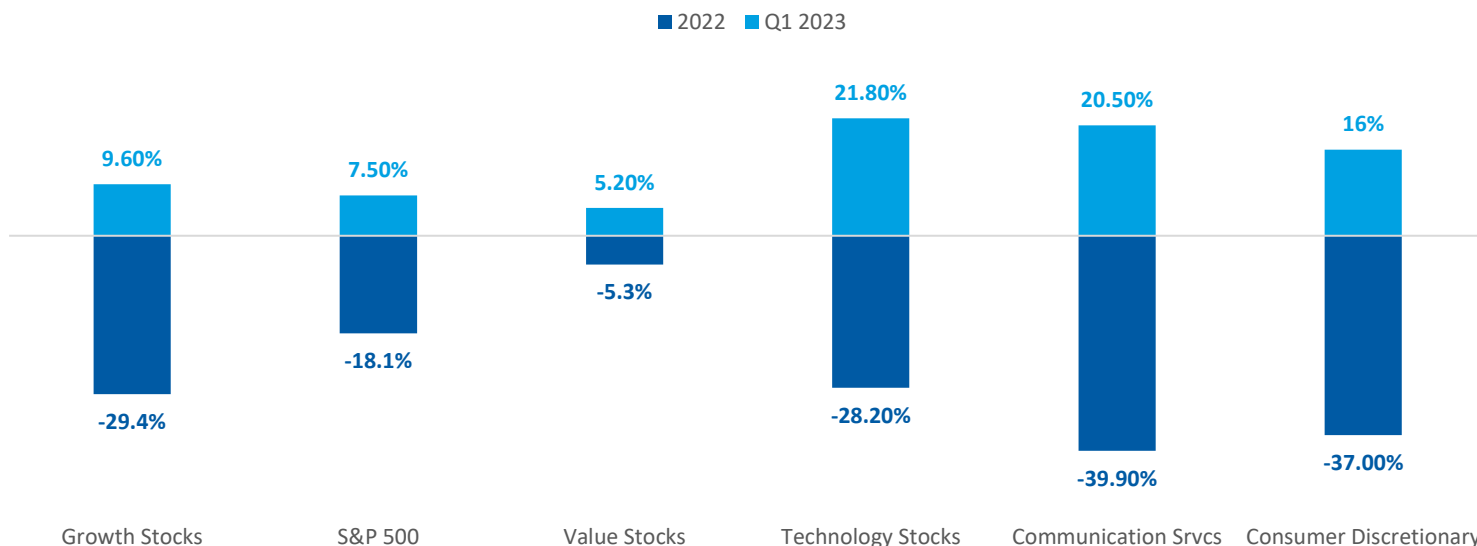
Daily distribution of stock market returns:



Source: ThomsonOne

#### A Reversal of Fortune...But Still Not 100%

Growth-oriented stocks, particularly tech-related names, have bounced back from their 2022 woes. 2023's 1st quarter has been a strong start for the group, relative to their more defensive counterparts. However, they still have not fully recovered to their previous peak.



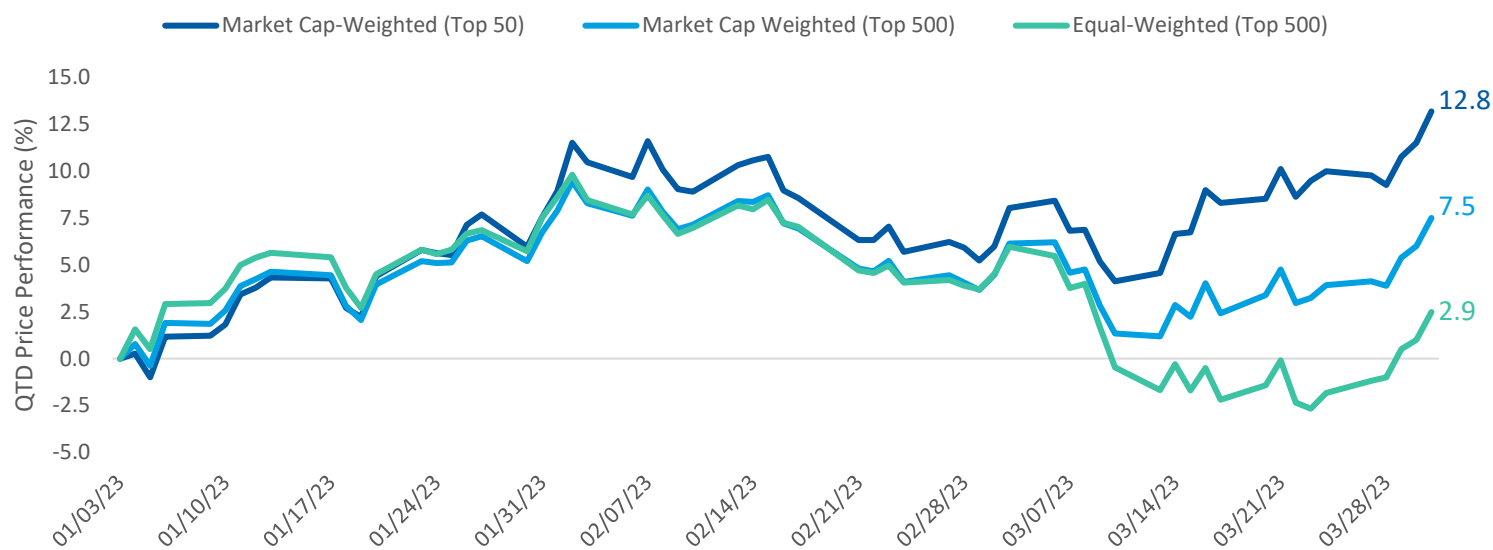
Source: Morgan Stanley

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## Breaking Down The Numbers: 1Q2023 [continued]

### Size Mattered in Q1.

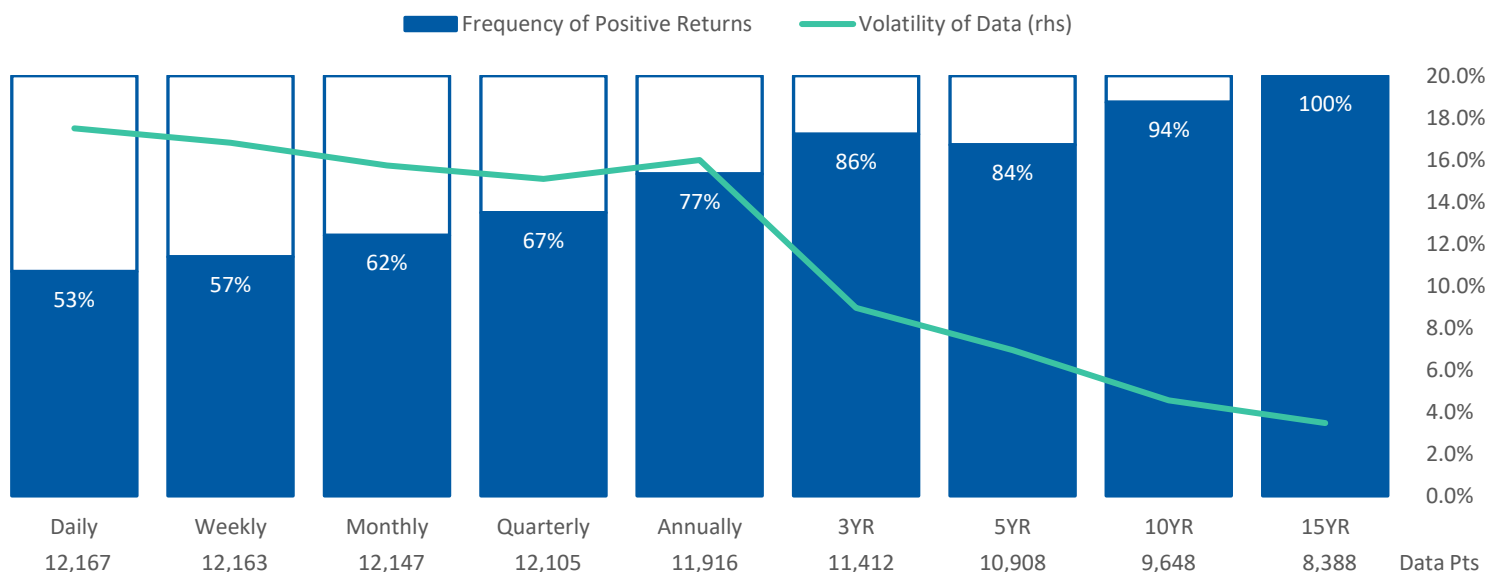
Mega Cap Tech Stocks outperformed smaller companies in the first quarter, particular in March after issues arose with regional banks.



Source: ThomsonOne

### Longer Investment Periods Translate to More Predictability

S&P 500 Rolling Price Returns Data Since 1975 (excludes dividends)



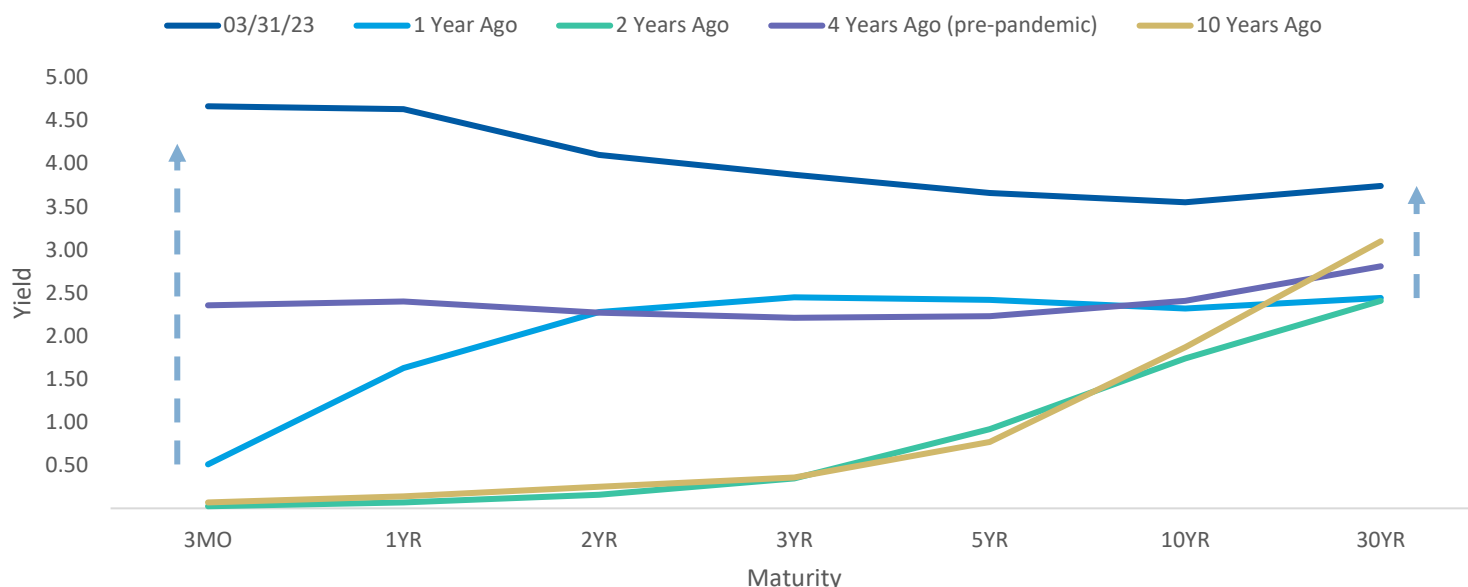
Source: ThomsonOne

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### Breaking Down The Numbers: 1Q2023 [continued]

#### An Elevated and Inverted Yield Curve Exists.

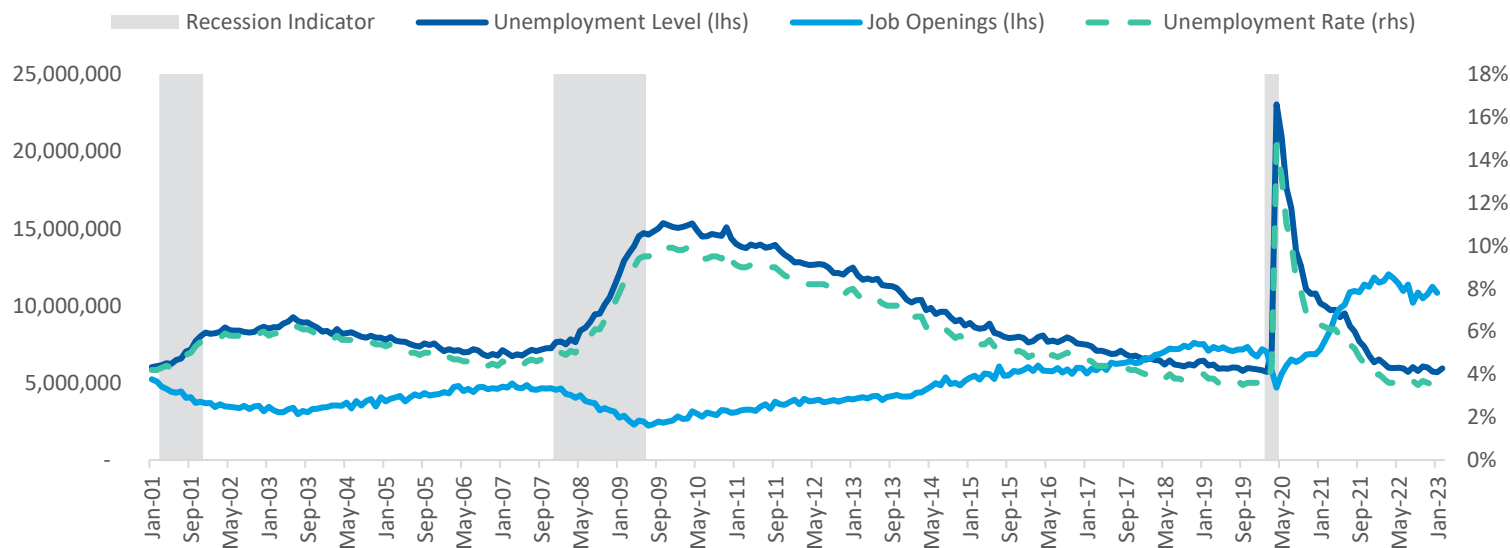
Rates are higher than they've been in well over a decade, and the yields on the short-end are unusually high relative to longer maturities. This phenomenon occurs when investors predict rates will drop in the future.



Source: ThomsonOne

#### Tight Labor Market Conditions Persist.

As of the most current readings, there are still more job openings than unemployed, & the unemployment rate remains at record levels.



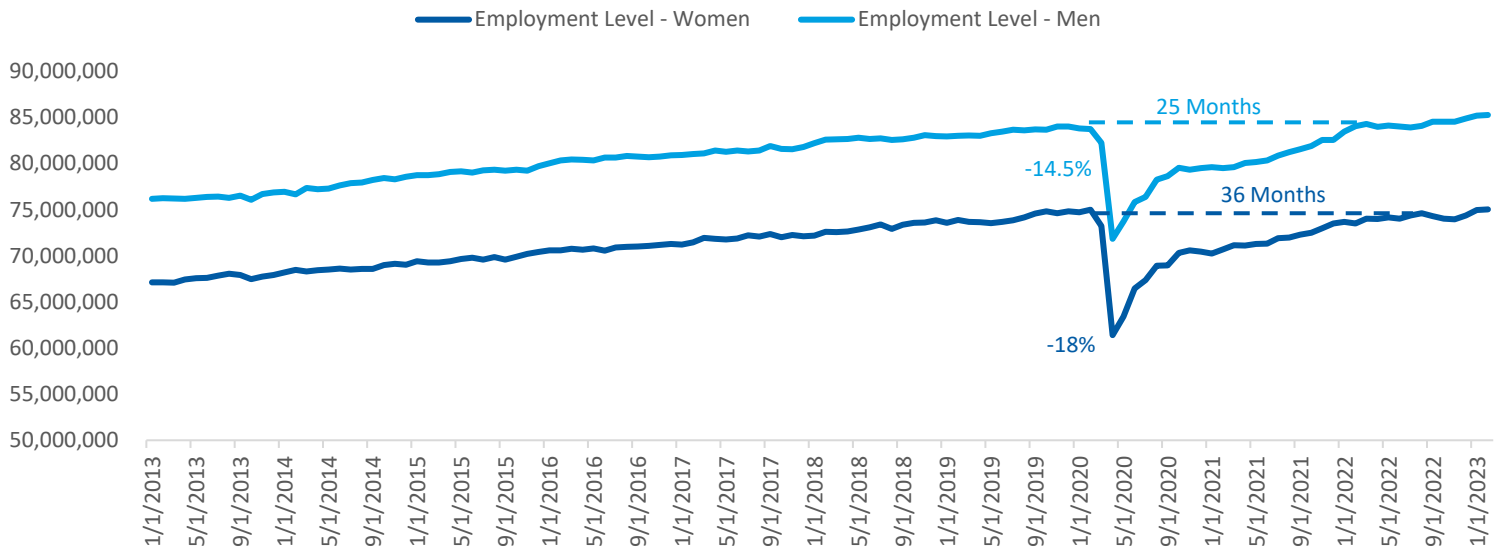
Source - Bureau of Labor Statistics

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## Breaking Down The Numbers: 1Q2023 [continued]

### Women Are Back In the Workforce.

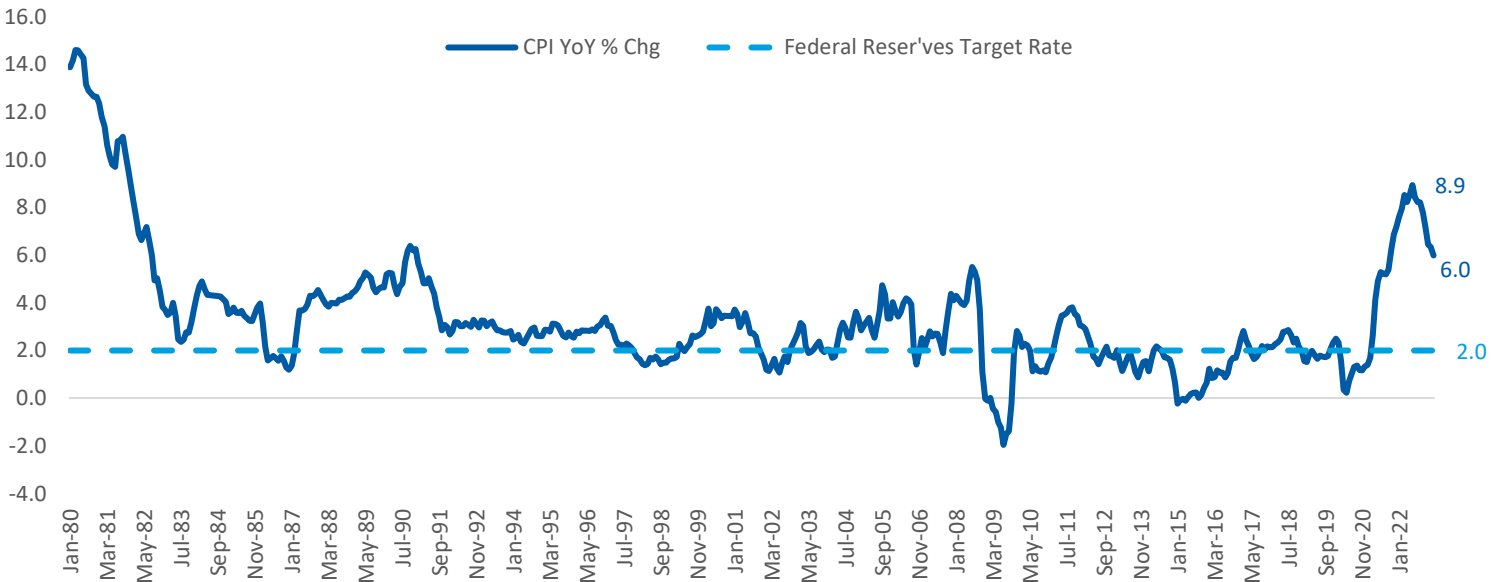
Measuring from 2019 EOY Data, the female workforce experienced a peak-to-trough drop of 18% that took 36 months to fully recover from compared to men's 14.5% drop that took 25 months to recover.



Source: Bureau of Labor Statistics

### Inflation Is Cooling Down, But Still Considered Hot.

While we are heading in the right direction and are off of the Summer 22' highs, we are still well over the Fed's long-term goal of 2%.



Source - Bureau of Labor Statistics

## The Balog Group at Morgan Stanley

### Breaking Down The Numbers: 1Q2023 [continued]

#### Are Supply Chain Woes Behind Us?

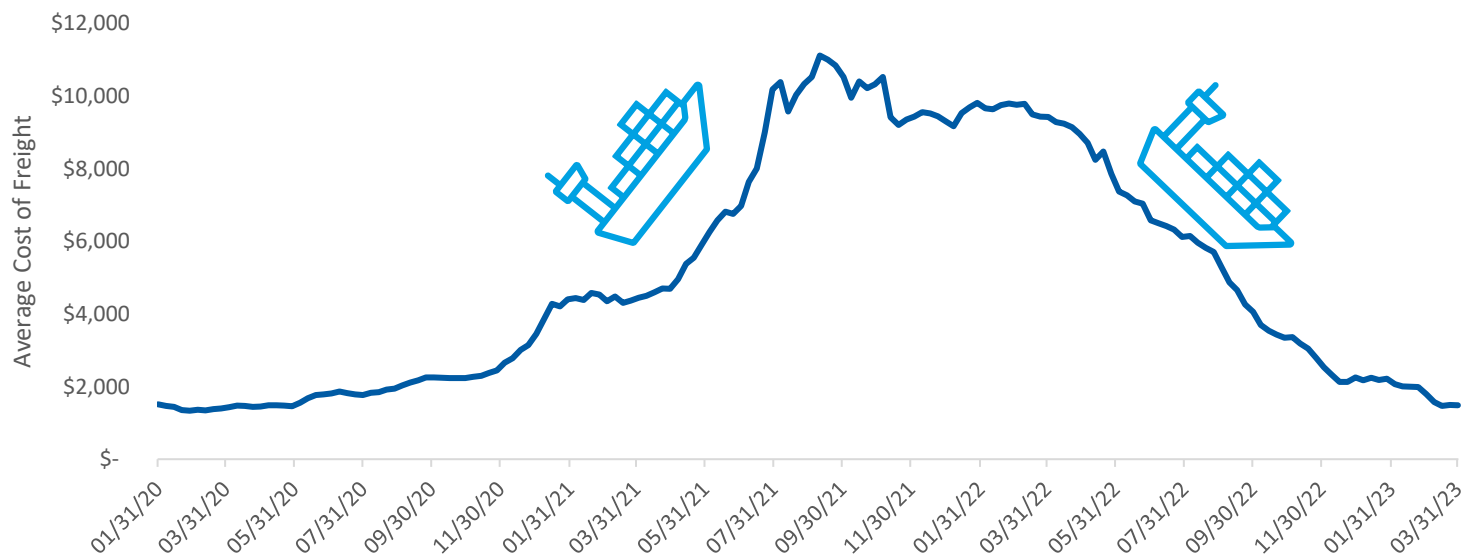
According to the NY Fed's Global Supply Chain Pressure Index charted below, it would appear the worst is behind us. The index readings reached an all-time high at the end of 2021, but has since come down back to pre-pandemic levels.



Source: Federal Reserve Bank of New York, Global Supply Chain Pressure Index

#### The Ups and Downs of Shipping Freight During the Pandemic

The Global Container Freight Index shows costs have normalized back to pre-pandemic levels after they sharply rose more than 7x.

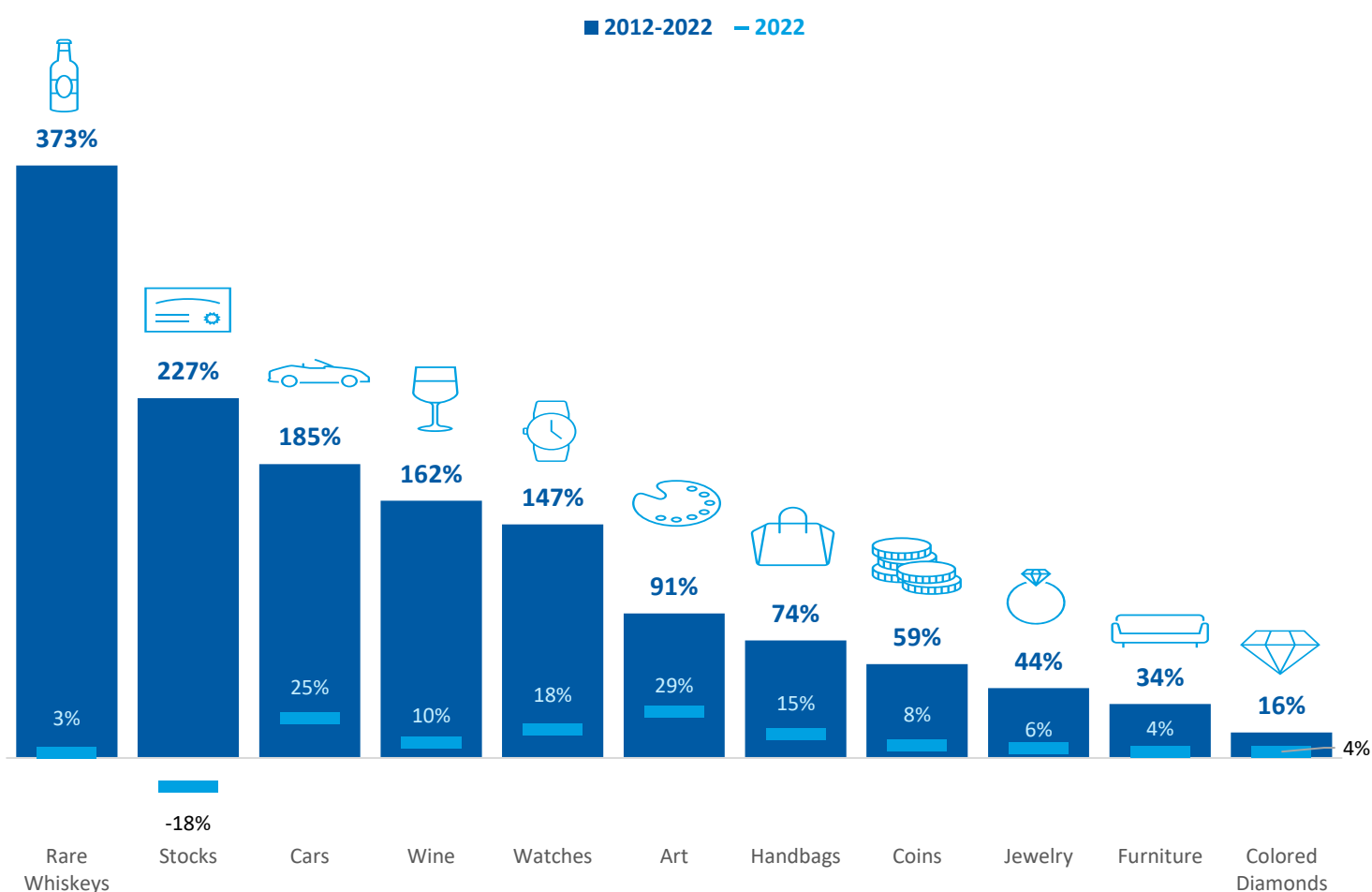


Source: Freightos Data

# The Balog Group at Morgan Stanley

## Breaking Down The Numbers: 1Q2023 [continued]

Rare Whiskeys for the win as all other luxury investments failed to keep up with stocks over the last decade. Average performance for different asset classes from 2012-2022:



Source: Knight Frank Luxury Investment Index and Morningstar

### Article Sources:

1. ThomsonOne
2. Morgan Stanley – Capital Market Indices Report
3. [Federal Reserve Bank of St. Louis – 10YR Minus 2YR](#)
4. [Bureau of Labor Statistics \(BLS\) – Employment Situation](#)
5. [Bureau of Labor Statistics \(BLS\) – Consumer Price Index](#)
6. [Federal Reserve Bank of New York – Global Supply Chain Pressure Index](#)
7. [Freightos Data – Global Container Freight Index](#)
8. [Knight Frank – The Wealth Report 17<sup>th</sup> Edition](#)
9. Morningstar



## Disclosures

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