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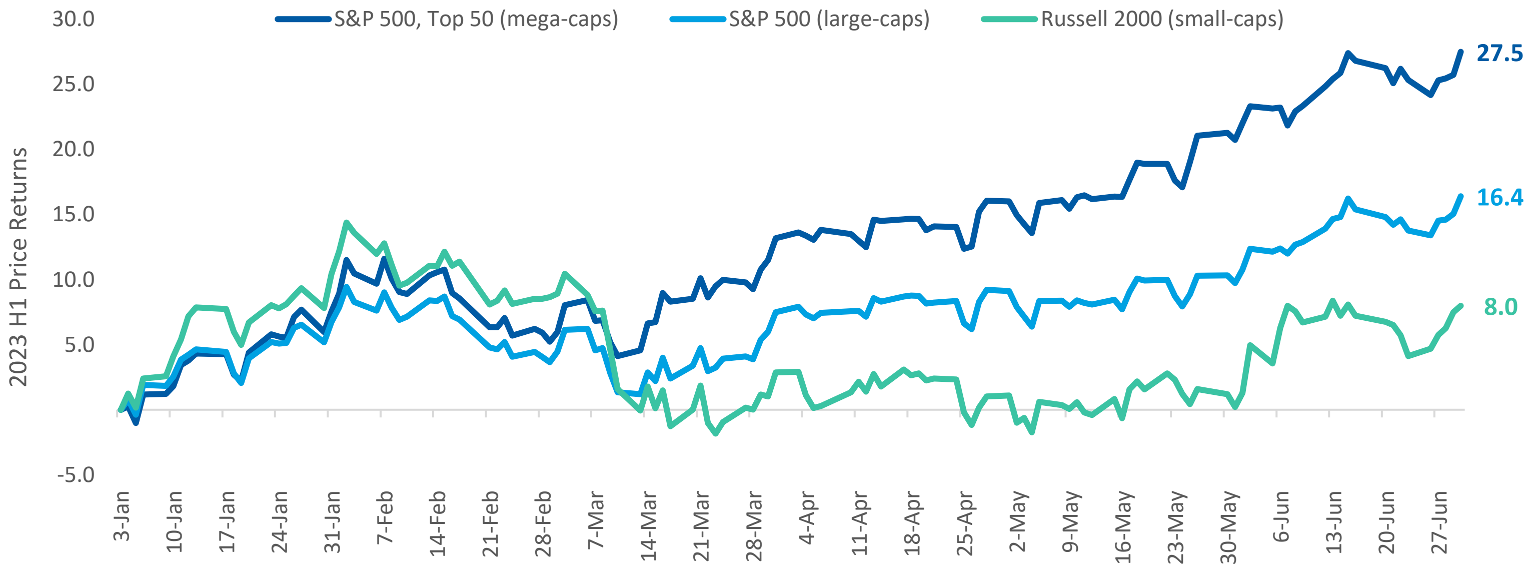
Breaking Down The Numbers: 2Q2023

Another quarter is in the books, but before we move on to Q3 we wanted to revisit Q2 and the year thus far. We've got 11 charts for you that should sum up the markets nicely. We'll try to keep things short and sweet. As always, should you have any questions about any of these topics, or investing in general do not hesitate to give our office a call. We hope you all have a great 2nd half of 2023!

Chart #1: Size Mattered.

The performance gap between mega-size companies and smaller companies was staggering. You can see they closely followed one another until mid-March when some banking issues started to arise. Since that point forward larger companies have outpaced their smaller counterparts.



Source: ThomsonOne

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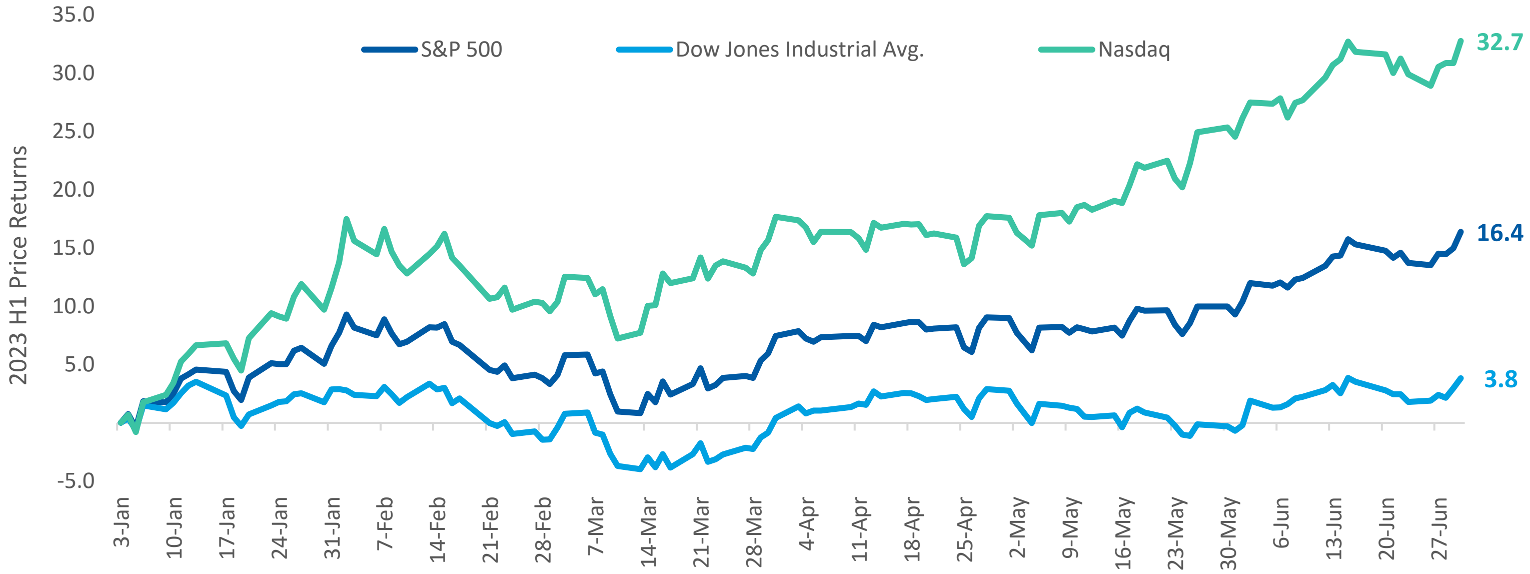
Chart #2: Different Measuring Sticks, Vastly Different Results.

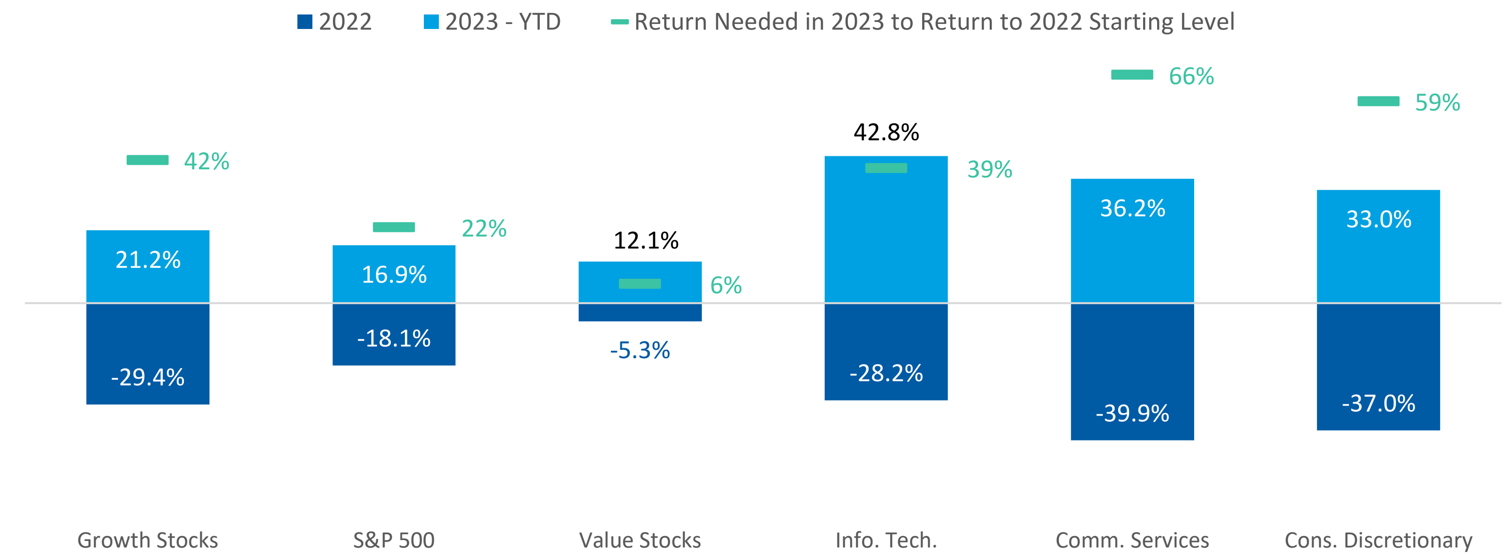
Depending on whether your preferred news source uses the S&P 500, Dow Jones, or the Nasdaq as their stock market barometer, you likely received vastly different perceptions of how the market has done so far this year. Usually these three indices move in the same direction, but at different paces. The difference this year however has been more than usual.



Source: ThomsonOne

Chart #3: Don't Call It A Comeback (yet).

Growth stocks and aggressive sectors of the market took a beating in 2022. However, many in those spaces have seen a decent recovery YTD. But we can't call it a full comeback yet as there's still more distance to cover in order to see a full recovery.



Source: Morgan Stanley

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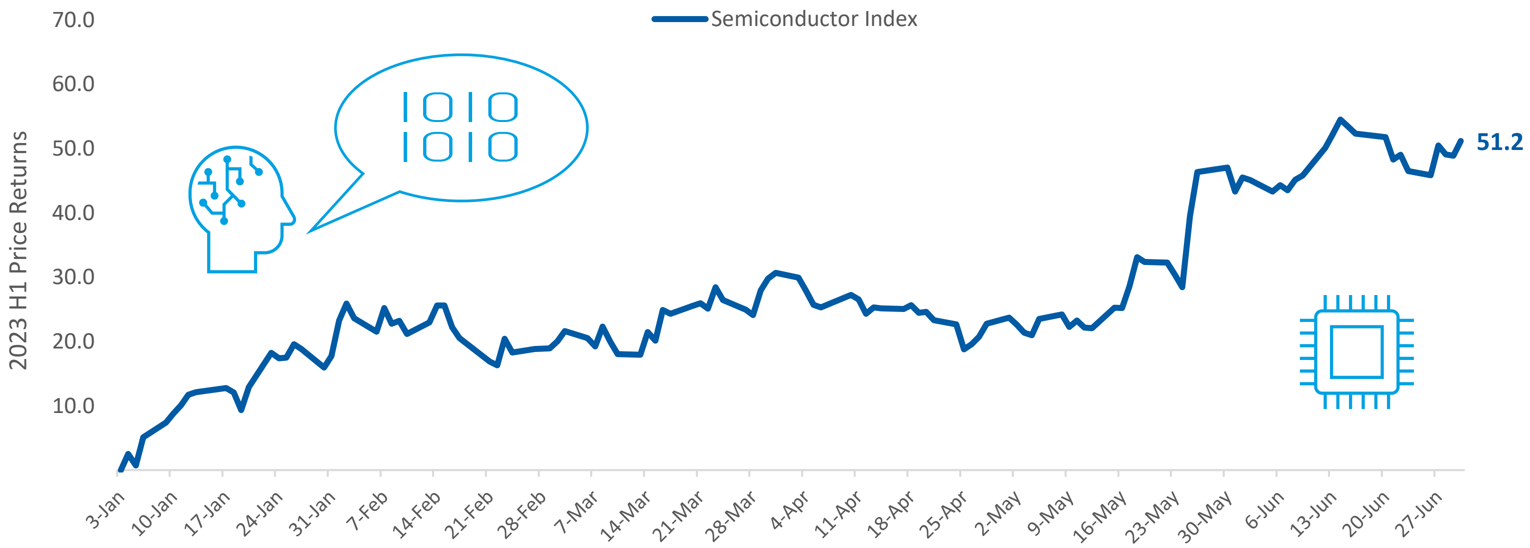
Chart #4: Semiconductors Went For A Run.

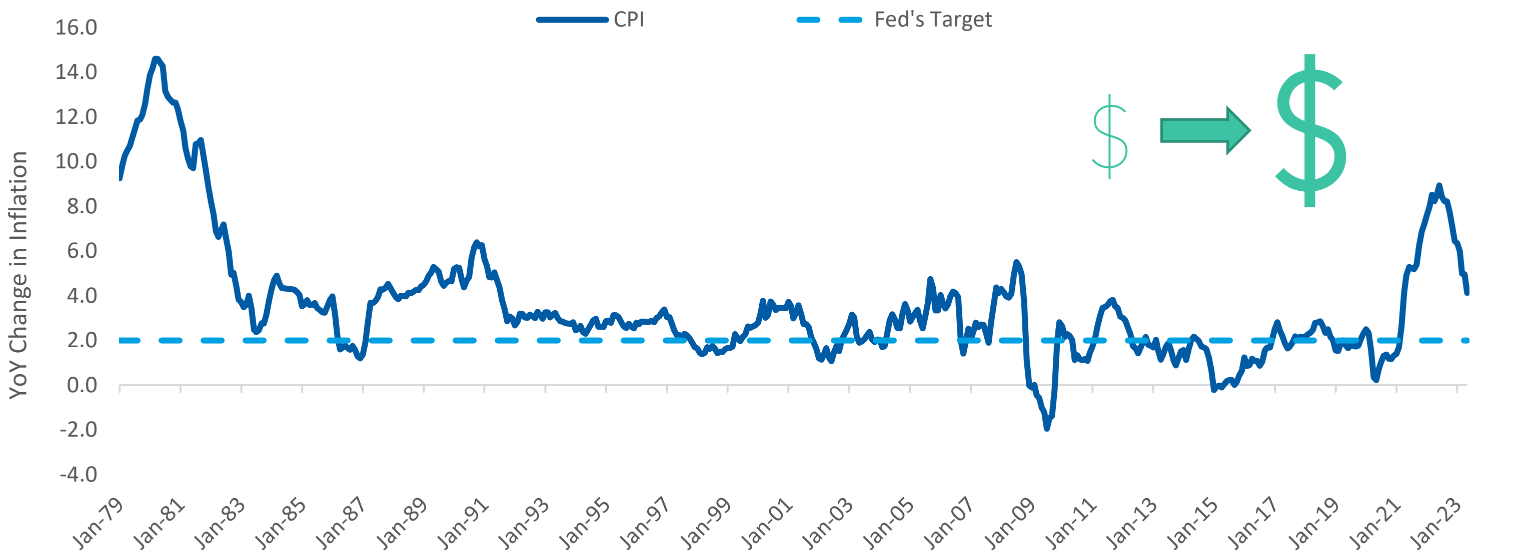
The top industry for the year without a doubt has been chip manufacturers as some names in this space have grown more than 2x. In fact the industry as a whole has seen a +51% return for the first 6 months of the year. Much of this is thanks due to the optimism around Artificial Intelligence and the infrastructure that'll be needed to power such advancements.



Source: ThomsonOne

Chart #5: Inflation Is Cooling.

May's reading of the inflation index sat at 4.1%. While certainly that's still more than what the Fed would like to see, it's come down quite a bit from its peak of 8.9% last summer. The inflation experienced over the last two years has been the worst our country has seen since the early 1980s when inflation hit double digits.



Source: Bureau of Labor Statistics

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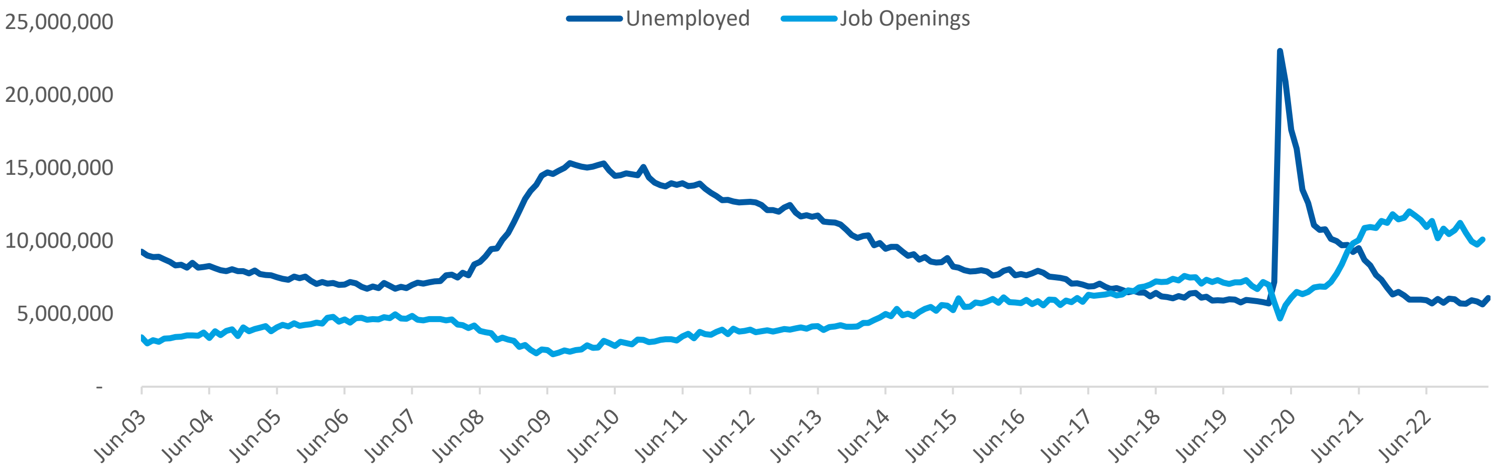
Chart #6: The Labor Market Is Still Hot.

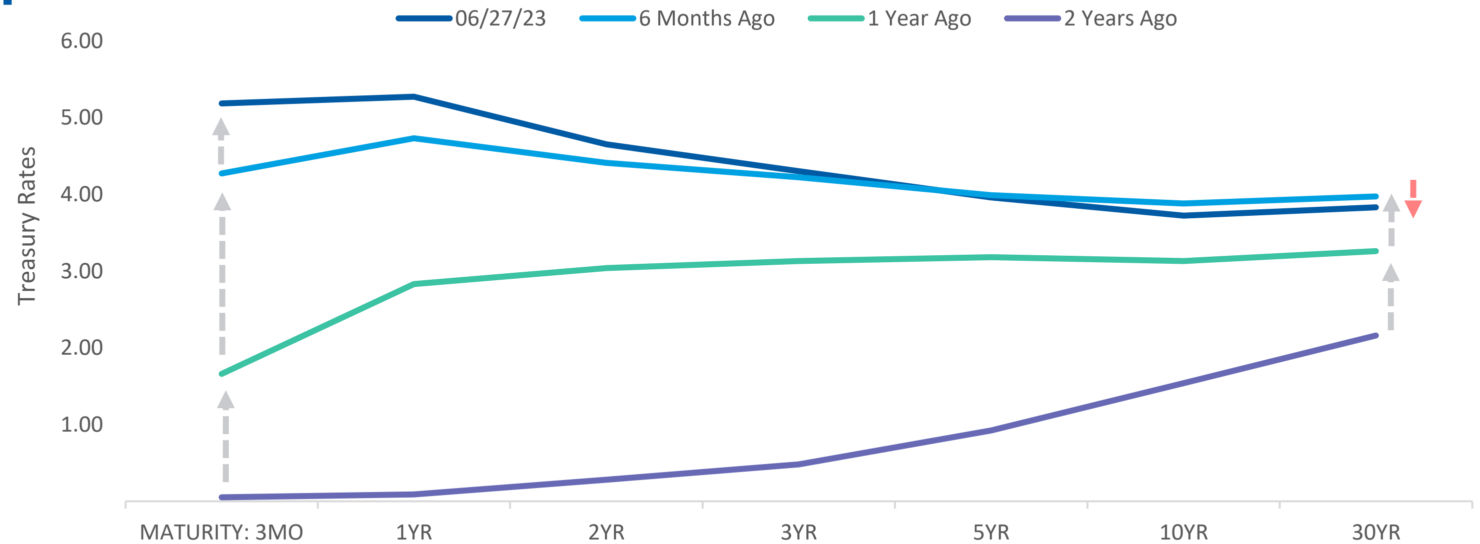
While we've seen a slight uptick in unemployment, it hasn't been a meaningful amount yet as the unemployment rate still sits below 4%. The other surprising news is that the number of job openings is still higher than the number of unemployed. There's about 1.6x openings for every 1 unemployed. Grant it there likely is a mismatch between many unemployed individuals and the desired experience and criteria of each opening, but the point remains the same that the labor market continues to be tight which doesn't help the fight against inflation, but does help in the fight against recession.



Source: Bureau of Labor Statistics

Chart #7: Climbing Rates Have Slowed Their Pace.

Over the last two years we've seen 3-month treasury rates go from practically 0 to over 5% thanks to the Fed's policy action to fight inflation. However, the Fed paused their rate hikes in June which has caused the trend of rate increases to slow down. Over the last 6 months there really hasn't been any change in the curve past the 2yr mark, and in fact on the very long end of the yield curve we've seen rates drop a bit.



Source: ThomsonOne

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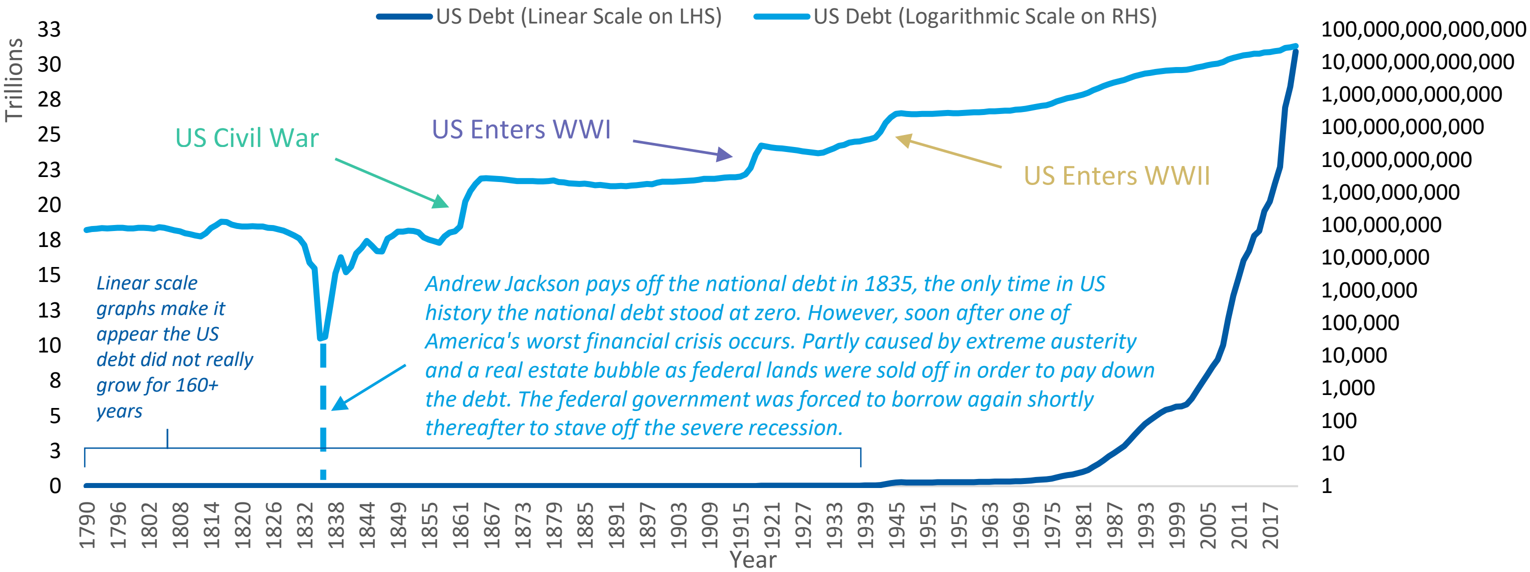
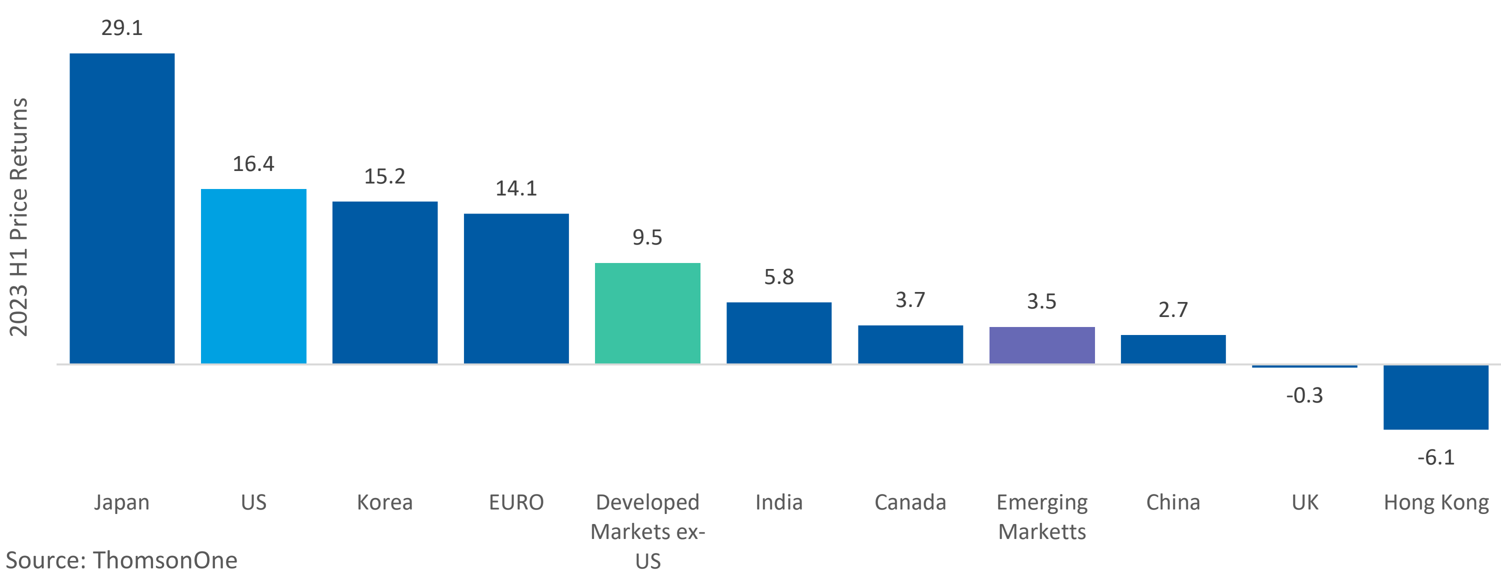
Chart #8: Debt Ceiling - BRB, TTYL.
A big concern for many this quarter was the debt ceiling debate. It wasn't the first debate and certainly won't be the last on the topic. While yes, it is true the growth rate recently has been higher, it isn't as high as it may appear at first glance. 6.8% has been the growth rate over the last decade compared to 5.76%/yr over the last 232yrs.



Source: US Treasury

Chart #9: Japan Is Having A Great Year, US Isn't Performing Too Shabby Either.
Over the last decade US stocks have outperformed global stocks in a significant manner and that trend is continuing so far for 2023. On an individual level however, Japan is outpacing the US with Korea not far behind in stock returns YTD. Japan makes up 22% of the "Developed Markets ex-US" index and Korea makes up just 12% of the "Emerging Markets" index.



Source: ThomsonOne

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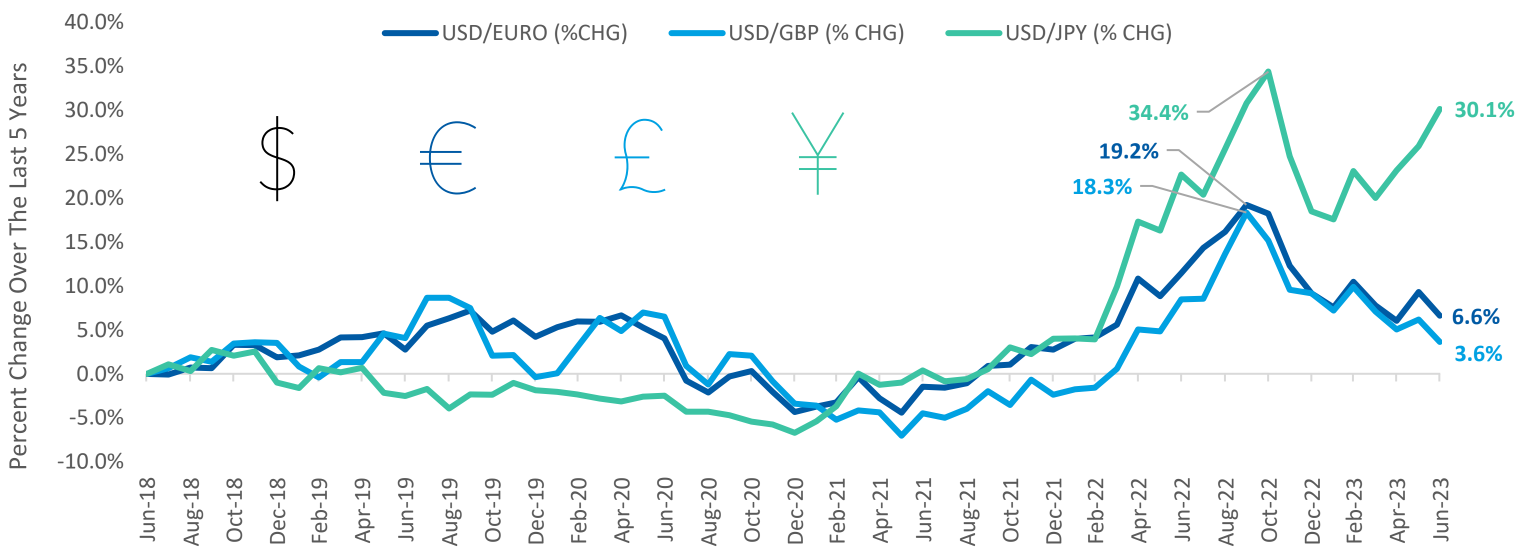
Chart #10: The $USD Appears to be Leveling a Bit After A Strong 2022

The USD was particularly strong in 2022 which made US exports more expensive for the rest of the world. This year we have seen numbers come off their 5yr peaks, but still have some more room to go.

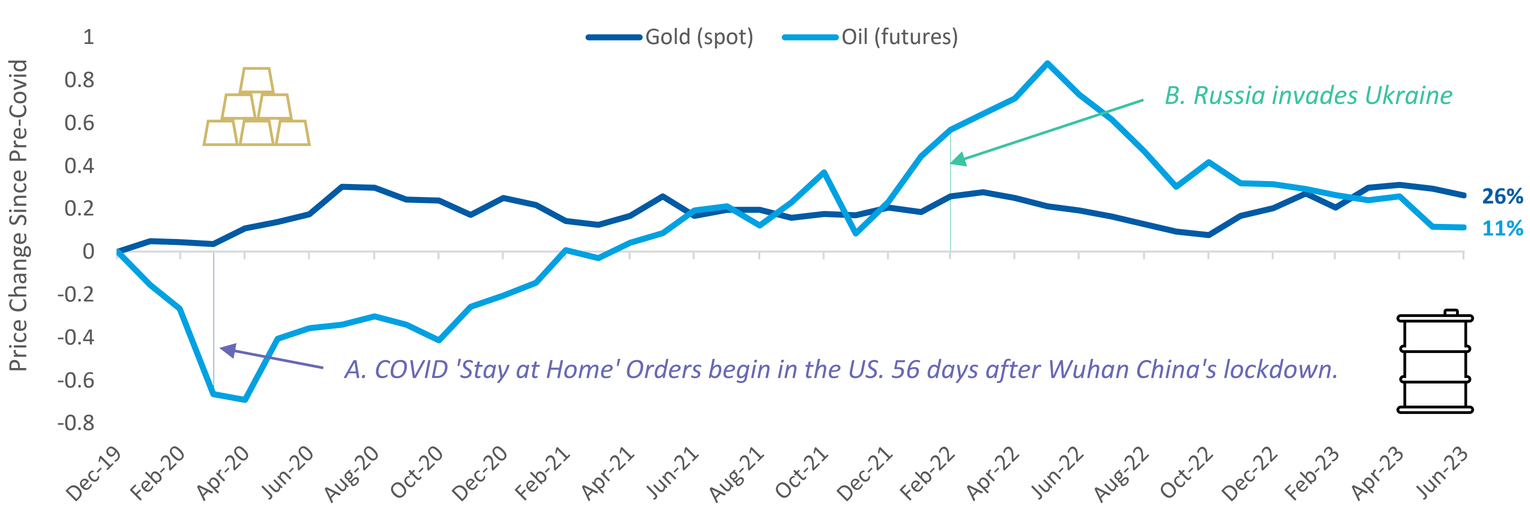


Source: ThomsonOne

Chart #11: Commodities On The Move.

A. Oil futures crashed at the onset of Covid as travel and shipments essentially halted and demand cratered despite supply still being high. At one point futures even went negative as investors didn't want to pay for the cost of storing barrels. They essentially paid people to take the commodity off their hands.

B. Following Russia's invasion of Ukraine, the price of oil spiked out of concerns of supply issues. Since then oil has come back down to pre-war levels, greatly easing some inflation concerns around the globe.



Source: ThomsonOne

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