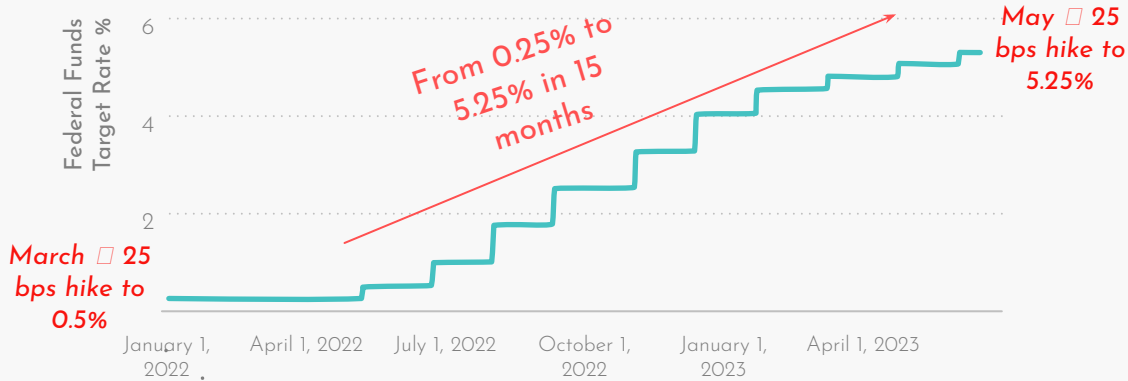


# Q2 2023 Overview

June 30, 2023

## FED FUNDS TARGET - UPPER BOUND



## 2023 MACROECONOMIC ENVIRONMENT

Thus far, the US Federal Reserve has retained its status as the World's most important investor. Its actions are the compass for all investors.

*“We gave you too little medicine, so now we need to give you too much”*



# NASDAQ COMPOSITE TOTAL RETURN INDEX

## HISTORICAL PERFORMANCE AFTER INITIAL RATE HIKE

As of June 30, 2023, the US Federal Reserve has raised its target rate by ~1bps/day every day since March 17, 2022. This is a very aggressive hiking cycle.

Nasdaq Composite Total Return Performance							
Date of First Hike	Cumulative Hikes	Date of Next Rate Cut	Duration of Hiking Cycle	Next 3 Months	Next 6 Months	Next 12 Months	Next 5 Years
August 8, 1983	3.25%	October 2, 1984	421	-8.60%	-13.89%	-15.91%	31.44%
April 29, 1987	1.25%	November 4, 1987	189	4.10%	-25.87%	-8.44%	37.60%
May 17, 1988	3.25%	October 29, 1990	895	1.06%	-1.30%	17.80%	82.12%
February 4, 1994	3.00%	July 6, 1995	517	-4.76%	-7.35%	-0.68%	214.93%
March 25, 1997	0.25%	September 29, 1998	553	16.07%	34.86%	46.88%	47.64%
June 30, 1999	1.75%	January 3, 2001	553	2.30%	50.49%	47.96%	-22.42%
June 30, 2004	4.25%	September 18, 2007	1,175	-7.24%	7.81%	2.15%	-5.30%
December 16, 2015	2.25%	July 31, 2019	1,323	-5.69%	-3.76%	9.08%	162.96%
March 17, 2022	5.00%	Current	470	-20.51%	-15.55%	-13.14%	--
<b>Average</b>	<b>2.69%</b>	--	<b>637</b>	<b>-2.58%</b>	<b>2.83%</b>	<b>9.52%</b>	<b>68.62%</b>
<b>Median</b>	<b>3.00%</b>	--	<b>553</b>	<b>-4.76%</b>	<b>-3.76%</b>	<b>2.15%</b>	<b>42.62%</b>
<b>% Positive</b>	--	--	--	<b>44.44%</b>	<b>33.33%</b>	<b>55.56%</b>	<b>66.67%</b>

# 2023 MACROECONOMIC OUTLOOK

## CENTRAL BANKS CONTINUE TO TIGHTEN - WITH EXCEPTIONS

As of June 30, 2023, Central Bank rates continue to trend higher with all major developed economies hiking rates further. Notable exceptions include: Japan and China.

Only the US, Switzerland and China have rates higher than annual inflation, indicating further hikes may be needed in economies with negative real interest rates and above-average inflation.

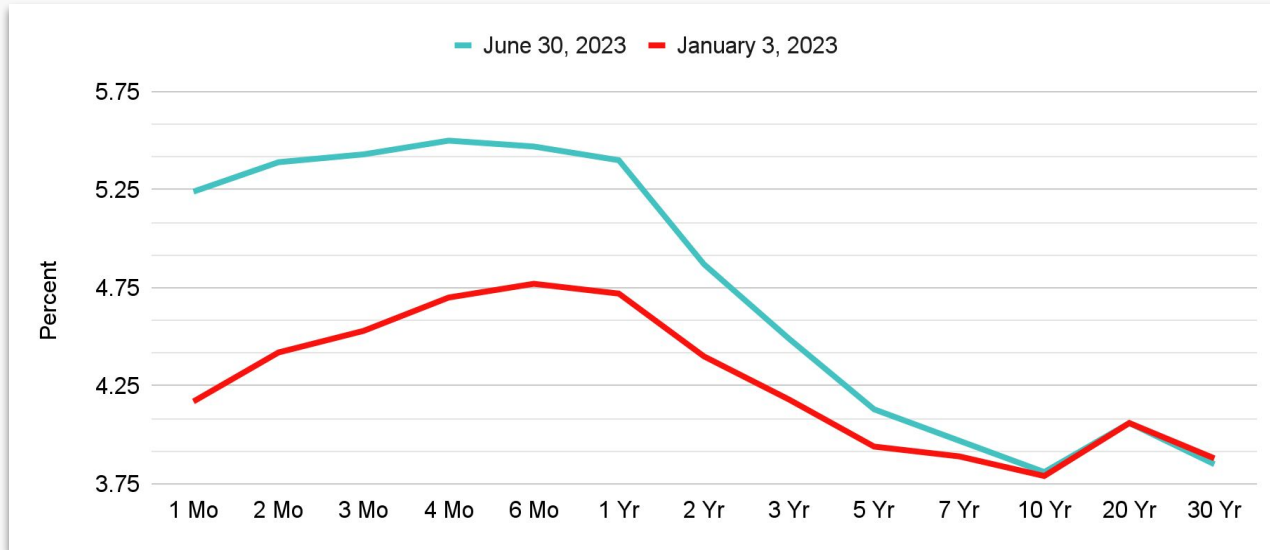
Global Central Bank Policy Rates						
Country	Rate	Central Bank Rate (as of 6/30/2023)	Inflation Rate YoY	Real Central Bank Rate	Last Move	Last Move Month
Japan	Policy Rate Bal	-0.10%	3.2%	-3.1%	Cut	Jan-2016
Switzerland	Target Rate	1.75%	1.7%	0.5%	Hike	Jun-2023
Denmark	Deposit Rate	3.1%	2.9%	-0.2%	Hike	Jun-2023
Eurozone	Deposit Rate	4.00%	5.5%	-1.5%	Hike	Jun-2023
Sweden	Repo Rate	3.75%	9.7%	-5.95%	Hike	Jun-2023
Norway	Deposit Rate	3.75%	6.7%	-2.95%	Hike	Jun-2023
Australia	Cash Rate	4.10%	5.6%	-1.5%	Hike	Jun-2023
UK	Bank Rate	5.00%	8.7%	-3.7%	Hike	Jun-2023
China	Loan Prime Rate	3.55%	0.3%	3.25%	Cut	Jun-2023
US	Fed Funds	5.08%	4.0%	1.08%	Hike	May-2023

# The Good News

# US TREASURY YIELD CURVE

## JUNE 30, 2023 VERSUS JANUARY 3, 2023

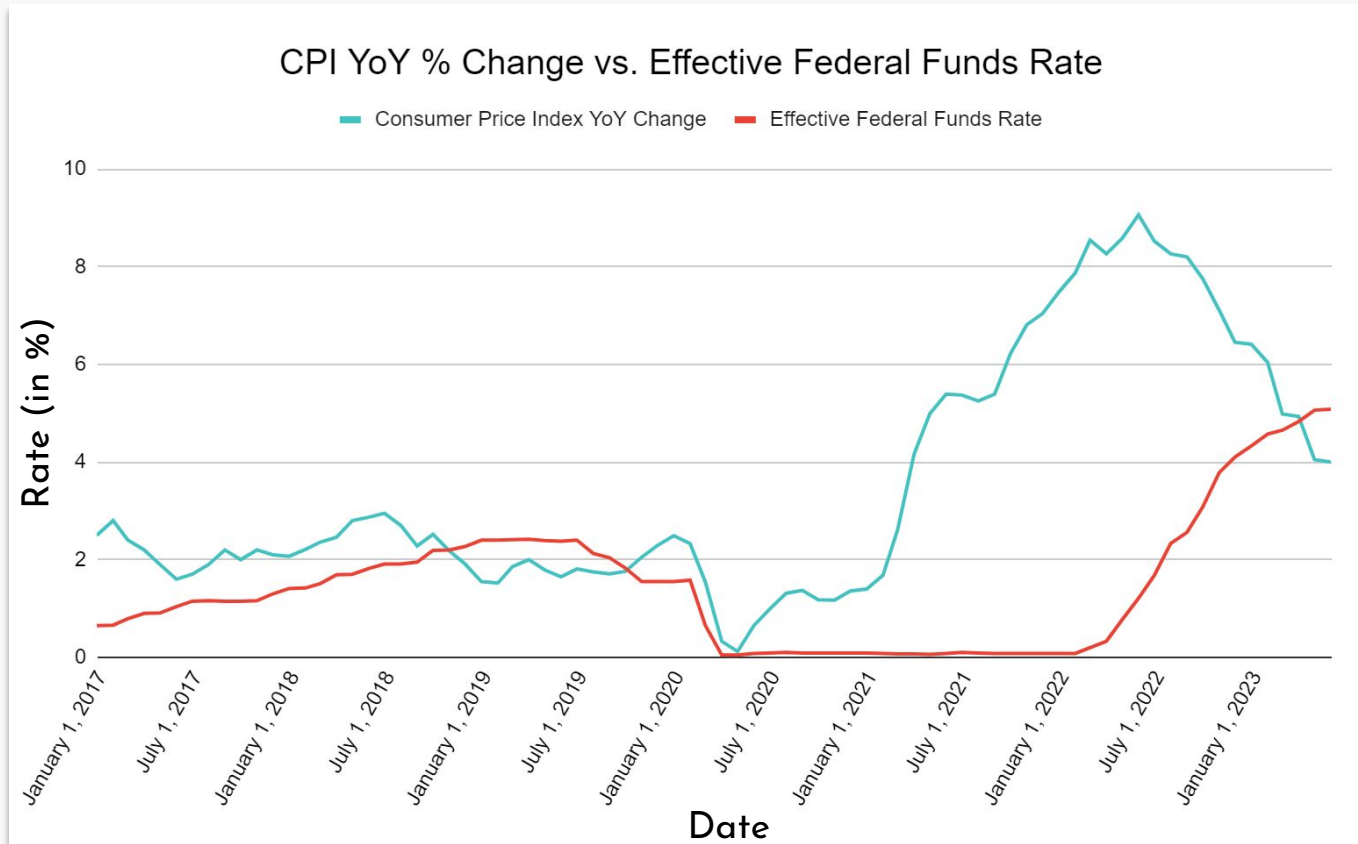
US short term Treasury rates have increased significantly year-to-date, longer term rates have remained anchored and low.



Source | St. Louis Federal Reserve | RPG

# US INFLATION

## CONSUMER PRICE INDEX



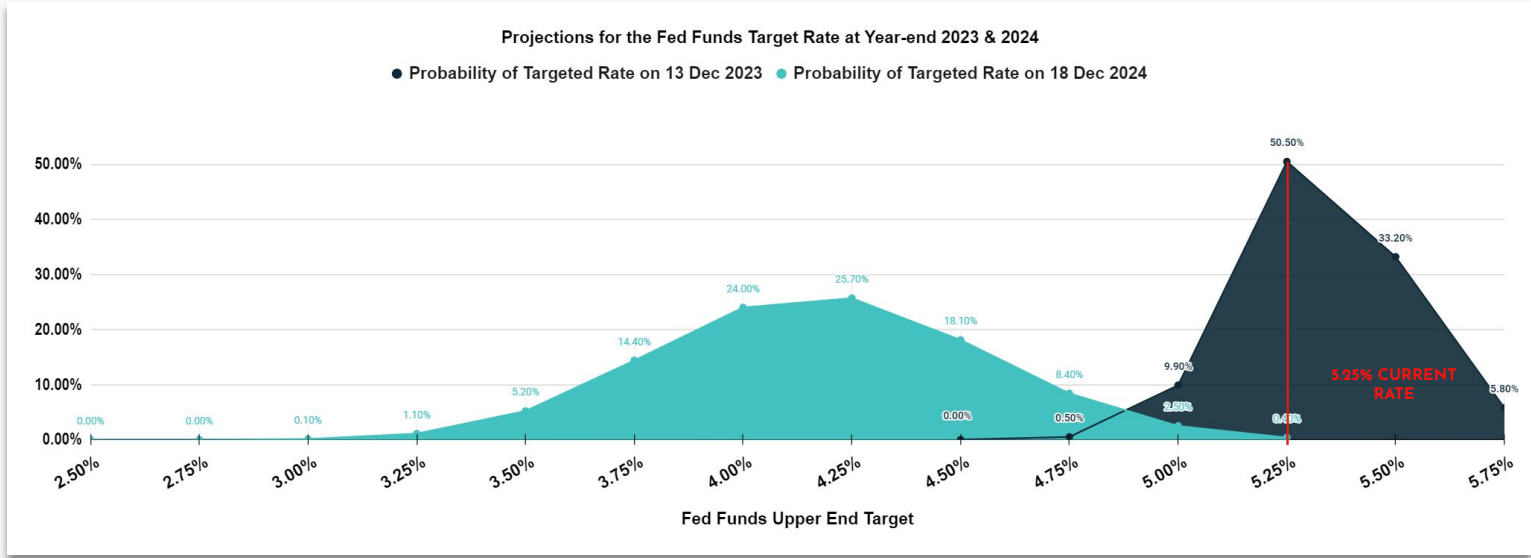
For the first time since 2019, the Federal Funds rate is above annual inflation.

5.08%

4.00%

# 2023 MACROECONOMIC OUTLOOK

## LONG TERM RATE PREDICTIONS REMAIN SANGUINE



By year-end 2023, over 99% of market participants expect rates to be the same or higher than they are today.

By year-end 2024, over 99% of market participants believe rates will be lower than they are today.

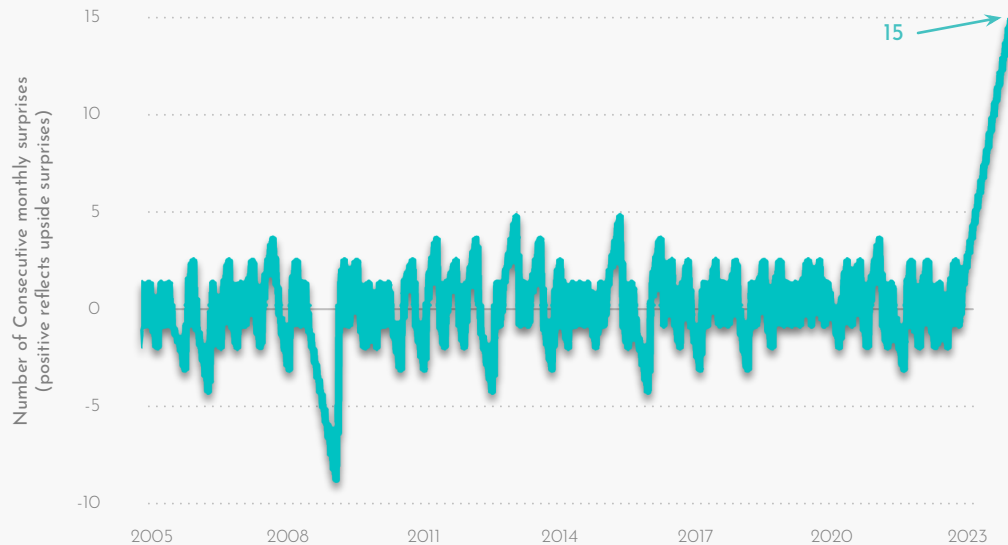


# US PAYROLLS

## SURPRISINGLY GOOD

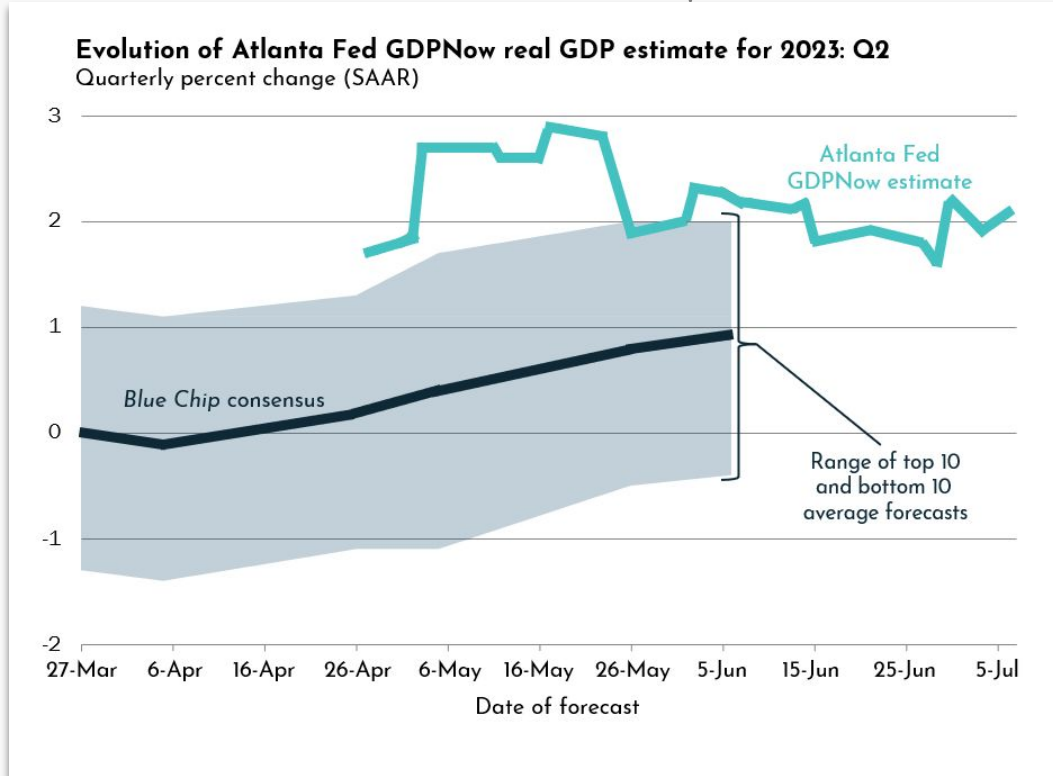
US payroll data keep surprising consensus estimates to the upside. The US has had 15 consecutive monthly positive surprises in payroll data .

### US Payrolls Consecutive Surprises



# US GDP

## STRONGER THAN FORECAST



The GDPNow model estimate for real GDP growth (seasonally adjusted annual rate) in the second quarter of 2023 is 2.2 percent and stronger than the market forecast consensus.

Source | Blue Chip Economic Indicators and Blue Chip Financial Forecasts  
Note □ The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey

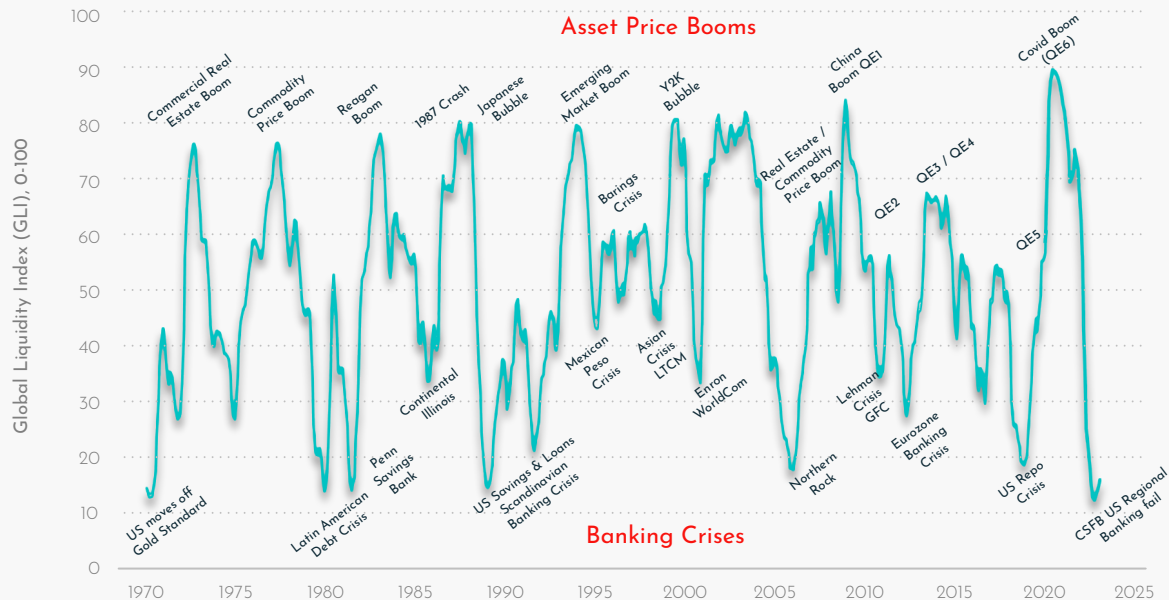
# The Bad News

# 2023 MACROECONOMIC OUTLOOK

## LESSENING LIQUIDITY = NOT GOOD

Global liquidity measures remain low and at levels close to prior banking crises levels insinuating potential fragility in a consumer-led recovery against a tightening and worsening credit backdrop.

Global Liquidity Index (GLI™), 1970 - 2023

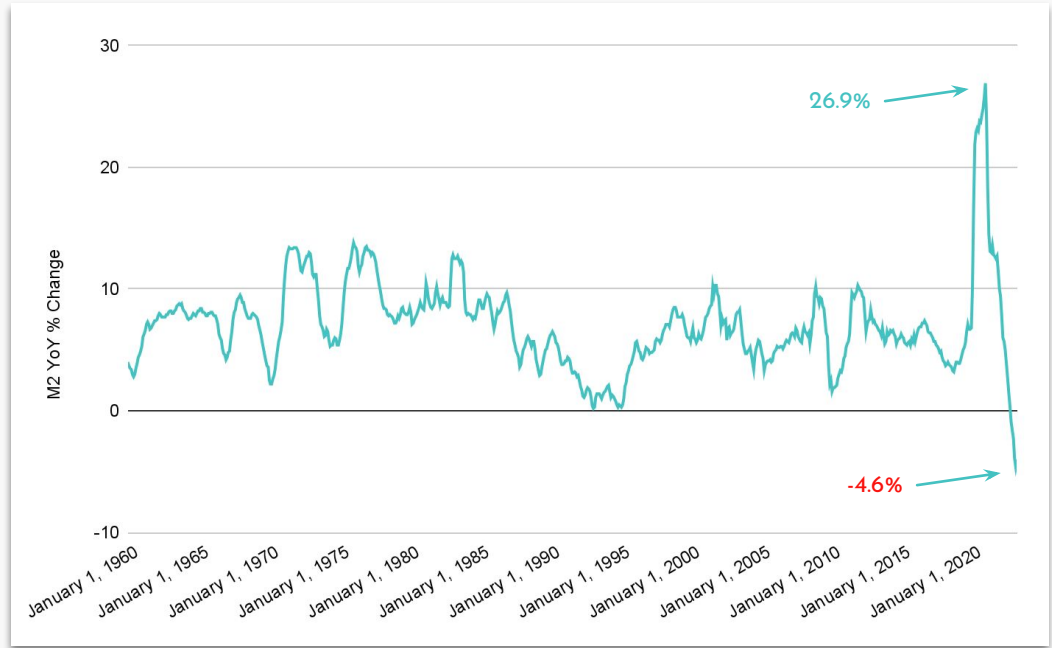


# WHERE'S THE M(2)ONEY LEBOWSKI?

LESSENING LIQUIDITY = NOT GOOD

M2 is the U.S. Federal Reserve's estimate of the total money supply including all of the cash people have on hand plus short term banking deposits. This is the largest drop in M2 in the history of the data series.

US M2 Money Supply: 1-Year% Change (Jan 1960 - June 2023)



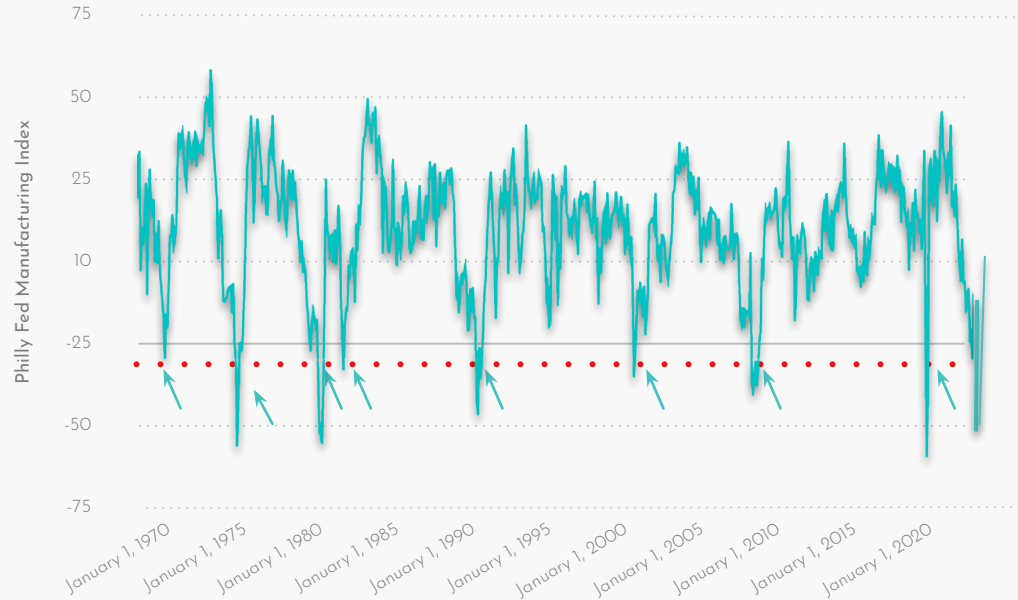
Source | St. Louis Federal Reserve Board Jan 1960 - May 2023, as of June 27, 2023

# RECESSION WARNINGS

## PHILLY FED MANUFACTURING: TOO MUCH BOUNCING TO MAKE A PREDICTION

The Philadelphia Fed Manufacturing Index reached -31 in April (red line), its lowest level since May 2020. In the past, when this indicator was at or below those levels the US economy was either in or approaching a recession.

Philly Fed Manufacturing Index (June 1968 to June 2023)

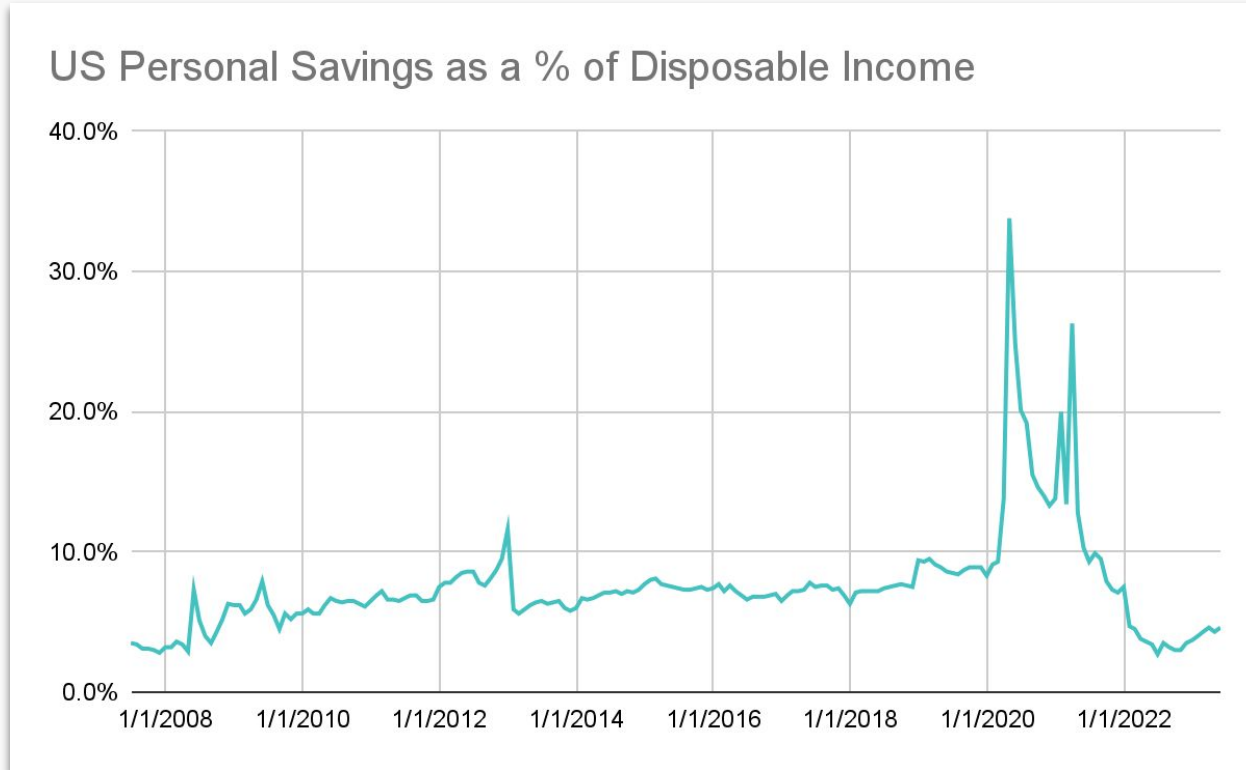


Source | St. Louis Federal Reserve Board

# US SAVINGS

## AMERICAN SAVINGS IN DECLINE

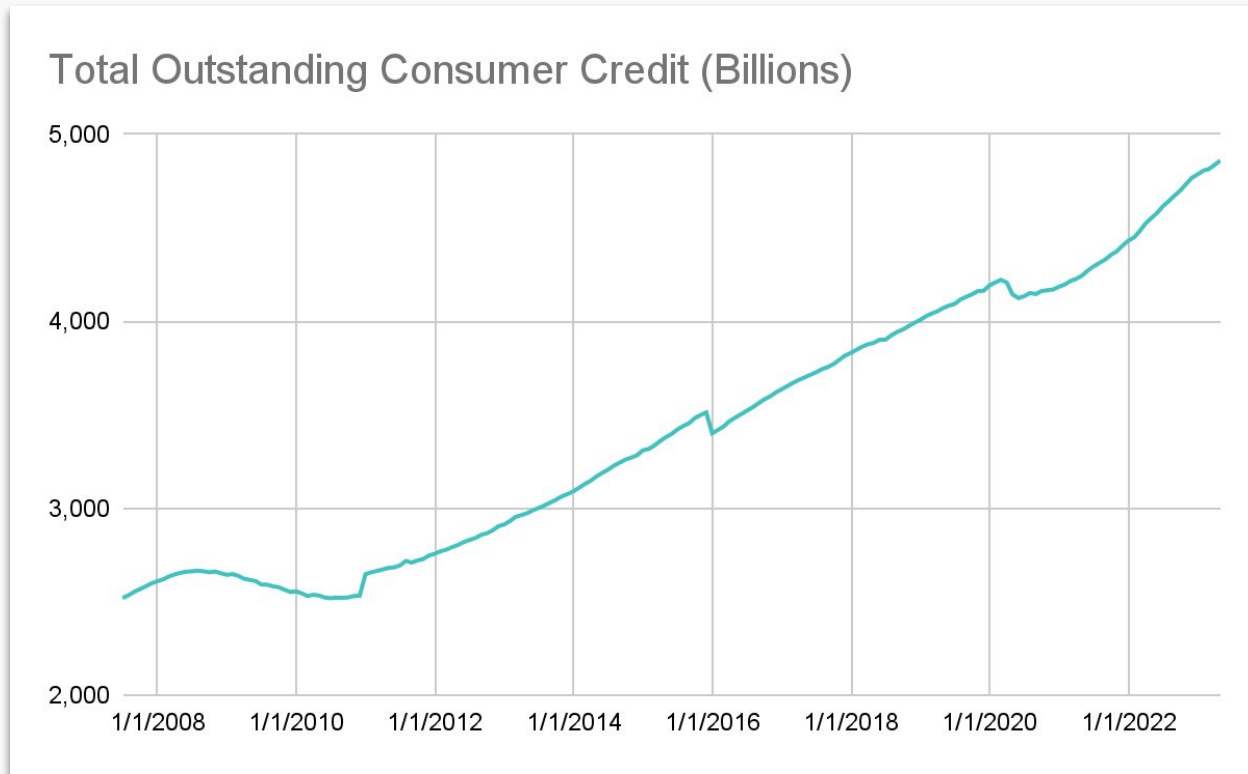
The mighty American Consumer may be running out of disposable income.



# US CONSUMER DEBT

## US CONSUMER CREDIT AT ALL TIME HIGHS

Consumers continue to spend. Consumer credit continues to hit consecutive all time highs.

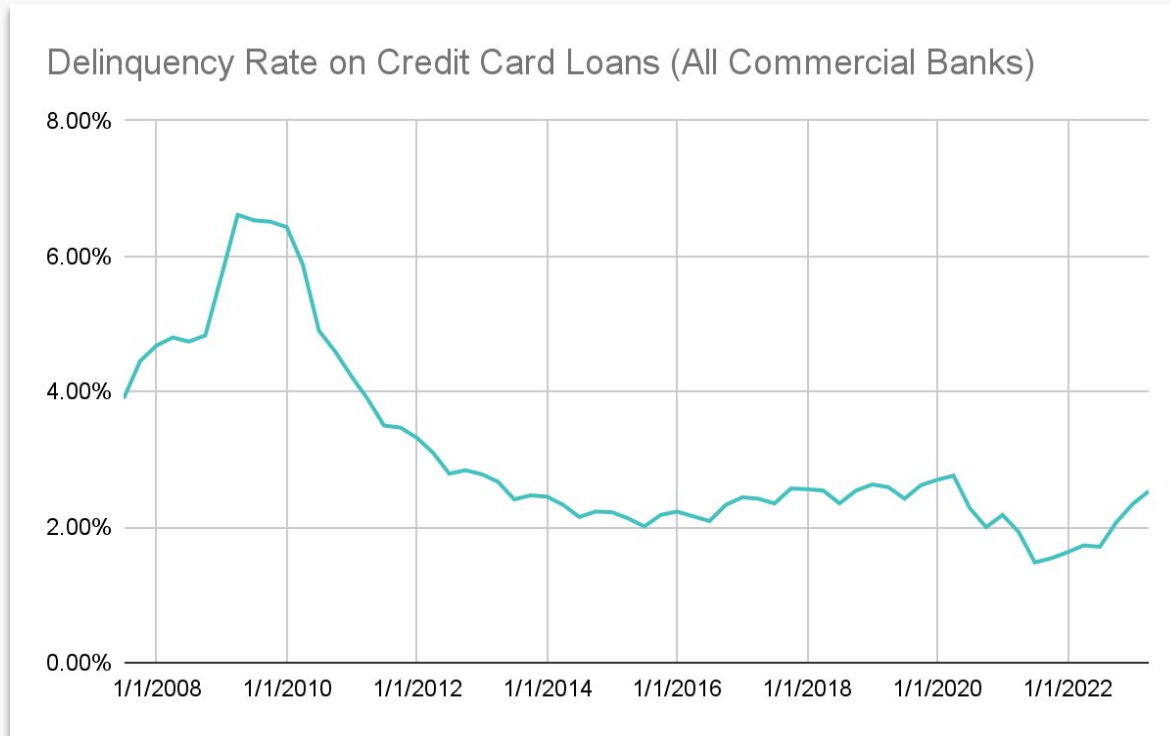




# CREDIT CARD WOES

## CREDIT CARD DELINQUENCIES STARTING TO REVERSE

Government stimulus checks helped Americans make ends meet, but now that government payments have stopped and inflation has picked up, Americans are starting to show signs of distress.



Source | US Federal Reserve as of 6/30/2023



## 2023 MARKETS YTD

Apple > 2000 companies.  
 Apple's valuation recently surpassed the entire Russell 2000 small-cap weighted index

# 2023 MARKETS

## SELECT INDEX PERFORMANCE

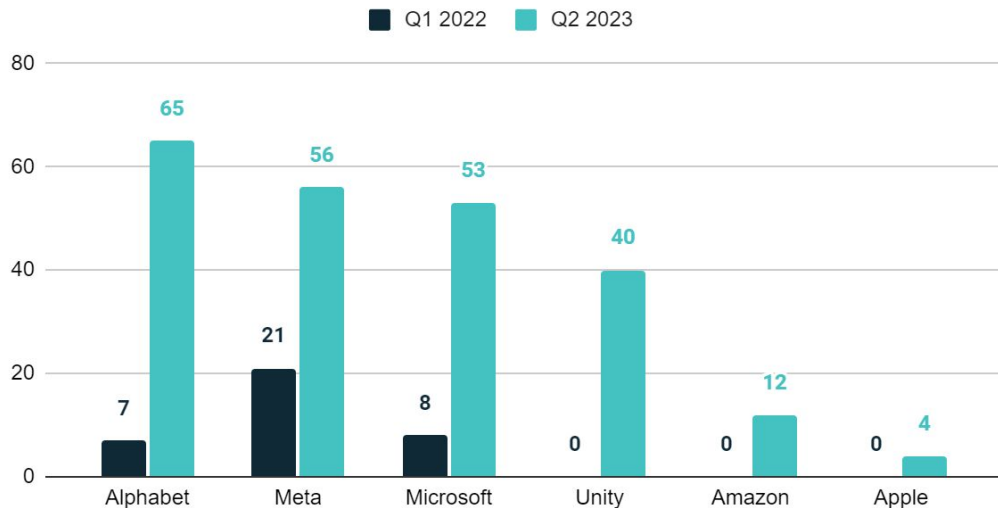
Index	YTD 2023	Q2 2023
<b>Fixed Income</b>		
Bloomberg US Aggregate (Total Return)	2.09%	-0.84%
Bloomberg Global Aggregate (Total Return)	1.43%	-1.53%
<b>US Equities</b>		
S&P 500 (Total Return)	16.88%	8.74%
S&P 500 Growth (Total Return)	21.25%	10.59%
S&P 500 Value (Total Return)	12.15%	6.64%
NASDAQ (Total Return)	32.32%	13.05%
NASDAQ 100 (Total Return)	39.35%	15.39%
Russell 2000 (Total Return)	8.09%	5.21%
Dow Jones Industrial Average (Total Return)	4.94%	3.97%
<b>Non-US Equities</b>		
MSCI ACWI ex-US (Total Return)	9.86%	2.67%
MSCI Emerging Markets (Total Return)	5.10%	1.04%
MSCI Europe (USD) (Net Return)	13.59%	2.74%
MSCI Japan (USD) (Net Return)	13.00%	6.42%
MSCI AC Asia Pacific (Total Return)	6.35%	1.43%
<b>Commodities</b>		
Bloomberg Commodity Index	-7.79%	-2.56%

# 2023 MARKETS

## 2023 Q1 EARNINGS AI CALLS

### Tech Giants Were All About AI This Earnings Season

Mentions of "AI" in earnings calls



Source | RPG, Statista

As of June 12, in 2023, US companies mentioned "Generative AI" 331 times, per SEC filings

Prior to 2023, in all US earnings calls, participants mentioned "Generative AI" 33 times

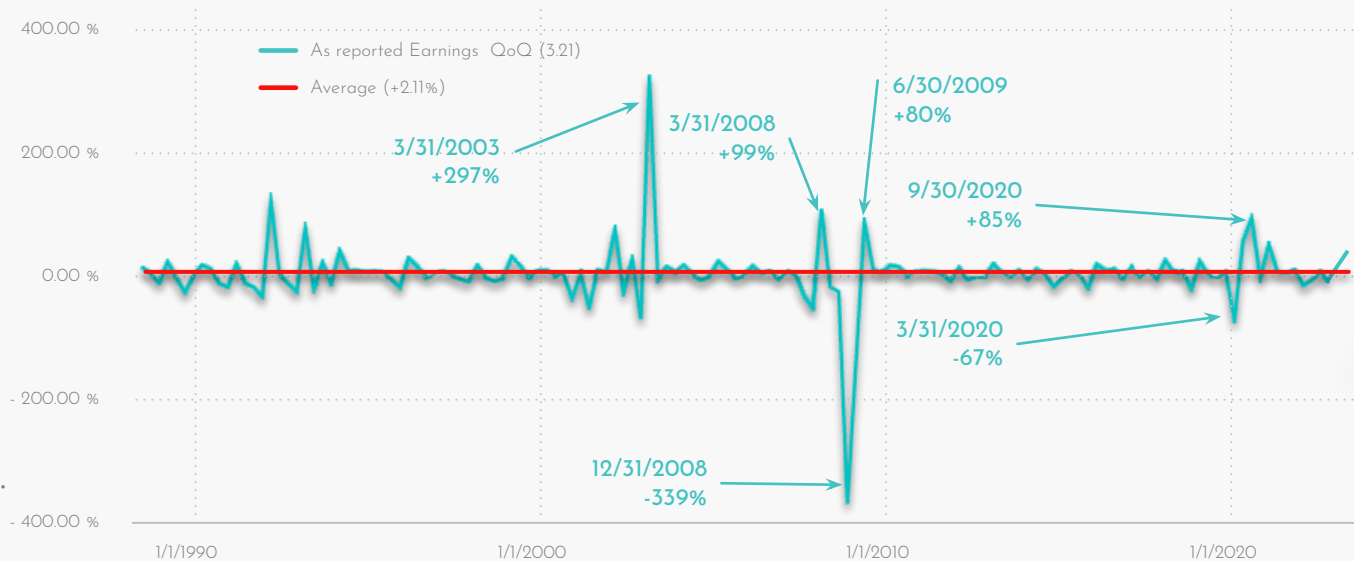
There are no mentions of "Generative AI" before December 31, 2020\*

*\*Innodata, Inc. (INOD) was the first public company to mention "Generative AI" in public filings*

# 2023 MARKETS

## EARNINGS THUS FAR APPEAR BUOYANT

As reported S&P 500 Earnings QoQ vs. Quarterly Average



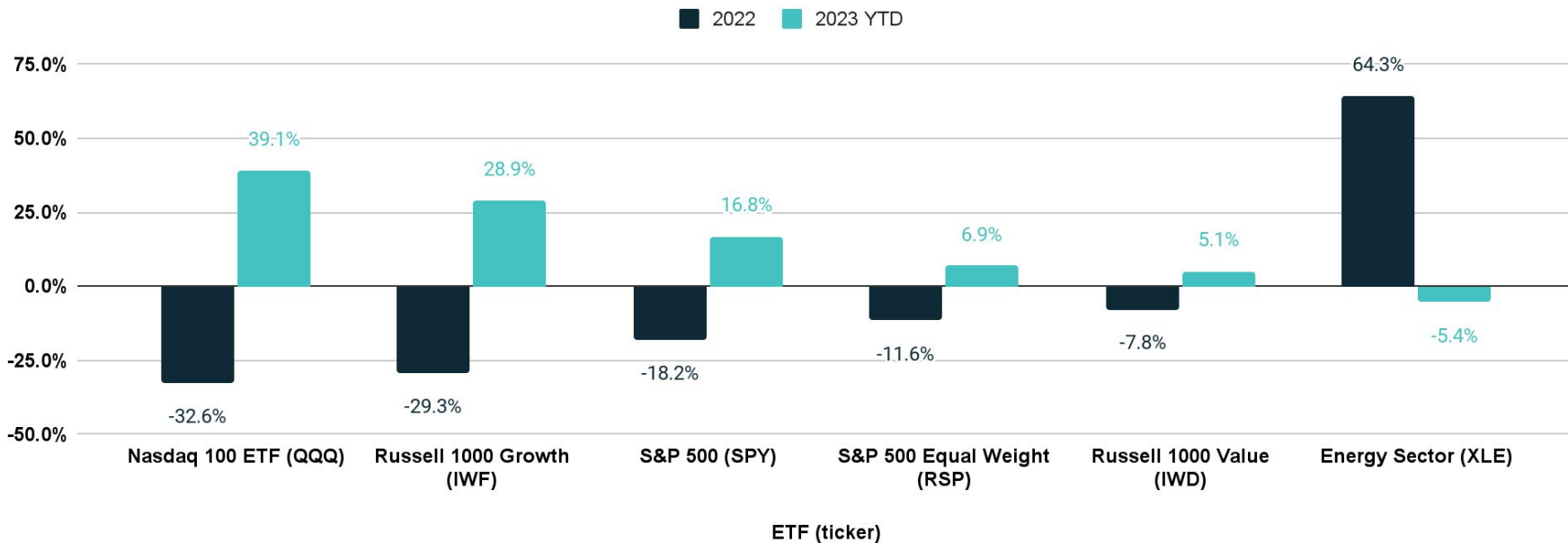
Data period | 3/31/1988 - 6/30/2023. Note: 6/30/2023 data point includes estimates provided by Standard and Poor's.

# 2023 MARKETS

## 2023, THE INVERSE OF 2022

Market returns through June 30, 2023 are an inverse to 2022 calendar year returns.

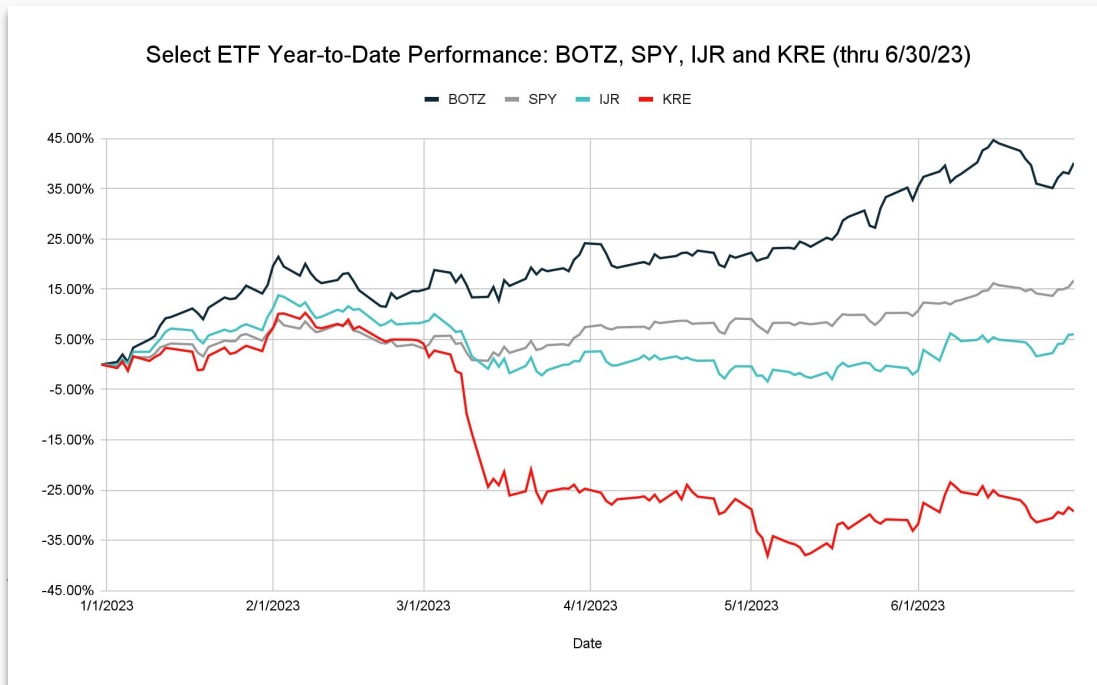
### ETF Performance: 2022 vs. 2023 YTD (as of 6/30/2023)



# 2023 MARKETS

## AI BOOMLET V. FINANCIAL CRISIS

The AI Boomlet has led to strong outperformance in 2023 over large and small cap equities while regional banks continue to struggle after SVB's collapse in March 2023.



Global X Robotics & Artificial Intelligence ETF (BOTZ)  
Total Return Price **+40.2% Change**

SPDR® S&P 500 ETF Trust (SPY)  
Total Return Price **+16.8% Change**

iShares Core S&P Small-Cap ETF (IJR)  
Total Return Price **+6.0% Change**

SPDR® S&P Regional Banking ETF (KRE)  
Total Return Price **-29.2% Change**

Source | RPG, Yahoo! Finance as of 6/30/2023

# 2023 MARKETS

## S&P 500 LEADERS & LAGGARDS

Tech and Chip companies outperformed in the first half, regional banks underperformed.

### Best Performing Companies in the S&P 500

Company	Ticker	% Change	Points Contribution
NVIDIA Corp	NVDA	189.54%	81.85
Meta Platforms Inc	META	138.47%	44.55
Carnival Corp	CCL	133.62%	1.29
Tesla Inc	TSLA	112.51%	44.52
Royal Caribbean Cruises Ltd	RCL	109.87%	1.43
Norwegian Cruise Line Holdings	NCLH	77.86%	0.48
Advanced Micro Devices Inc	AMD	75.87%	9.47
PulteGroup Inc	PHM	71.47%	0.88
General Electric Co	GE	68.16%	5.81
Align Technology Inc	ALGN	67.68%	1.24

### Worst Performing Companies in the S&P 500

Company	Ticker	% Change	Points Contribution
Signature Bank*	SBNY	-99.82%	-0.34
SVB Financial Group*	SIVBQ	-99.78%	-0.91
First Republic Bank*	FRCB	-99.55%	-2.61
Lumen Technologies Inc*	LUMN	-56.70%	-0.32
DISH Network Corp*	DISH	-53.06%	-0.23
Advance Auto Parts Inc	AAP	-51.59%	-0.54
KeyCorp	KEY	-45.25%	-0.87
Zions Bancorp NA	ZION	-43.97%	-0.38
Enphase Energy Inc	ENPH	-36.79%	-1.59
Comerica Inc	CMA	-34.49%	-0.36

Source | Bloomberg as of 6/30/2023

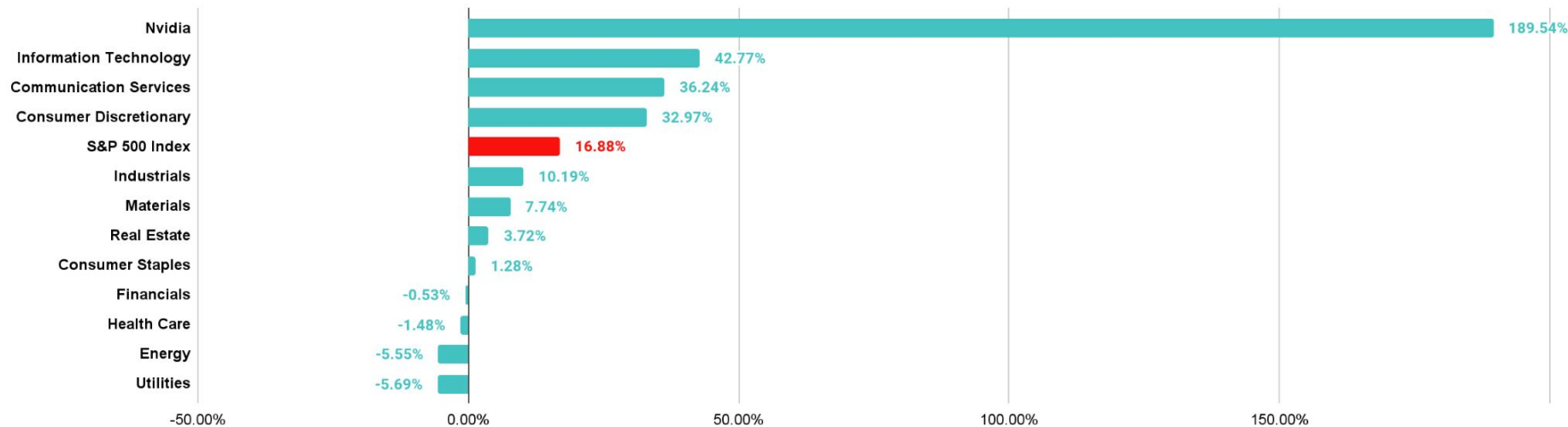
Note □ \* Indicates security was removed from the index. Points contribution only includes contributions made before the security was removed from the S&P 500 Index.



# 2023 MARKETS

## S&P 500 SECTOR PERFORMANCE vs NVDA

Nvidia's AI boomlet enabled laughable outperformance.



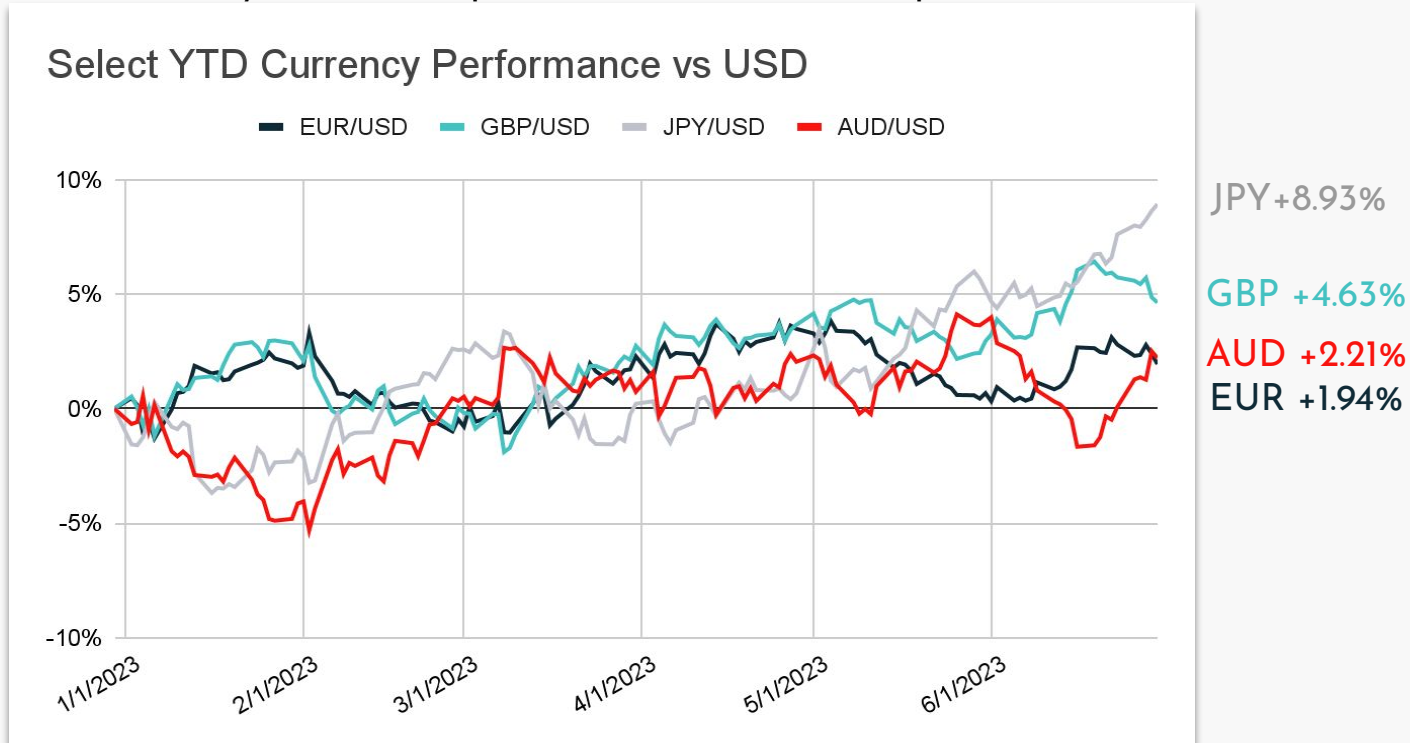
Source | Bloomberg as of 6/30/2023

Note □ Index performance represents total return

# 2023 MARKETS

## CURRENCY PERFORMANCE

Despite commentary that the USD would falter, it maintains its relative strength. JPY is supposedly a hedge fund favorite this year on anticipation that the Bank of Japan will need to raise rates.



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