

Global Markets Trade Higher to Start 2023

Monthly Market Summary

The S&P 500 Index returned +6.3% in January, underperforming the Russell 2000 Index's +9.8% return. 2022's underperforming sectors were the top performers in January, while defensive sectors posted negative returns.

Corporate investment grade bonds generated a +5.2% total return, outperforming corporate high yield bonds' +3.7% total return. The positive bond returns occurred as Treasury yields declined across most of the yield curve.

International stocks outperformed for a third consecutive month as the U.S. dollar weakened. The MSCI EAFE Index of developed market stocks returned +9.0%, in line with the MSCI Emerging Market Index's +9.1% return.

Fourth Quarter GDP Growth Slows but Remains Positive

The U.S. economy grew at a +2.9% annual rate in the fourth quarter of 2022, down from the third quarter's +3.2% annual rate. The growth was largely driven by a resilient consumer, inventory restocking, and increased government spending, while businesses cut back their spending on equipment and the housing market remained weak. While GDP growth was positive for a second consecutive quarter, the pace of economic growth slowed as the year ended. The U.S. economy grew +1% year-over-year compared to the same quarter a year ago, a slowdown from the +5.7% year-over-year growth rate recorded in the fourth quarter of 2021.

The slowdown signals a return to a more normal pace of growth after 2021's strong growth. Looking ahead to 2023, the U.S. economy is forecasted to slow as the cumulative effect of higher interest rates takes hold. Economists are concerned the Federal Reserve's efforts to curb inflation could trigger further spending cutbacks and job losses and tip the U.S. into a recession.

Financial Conditions Loosen in Anticipation of 2023 Interest Rate Cuts

Financial conditions, which refer to the ease and cost of obtaining capital, loosened in January. The catalyst was the market's anticipation of possible interest rate cuts in late 2023 due to a slowdown in economic activity. Treasury yields declined, corporate bond spreads tightened, and mortgage rates declined another -0.40%. Lower stock and bond market volatility, which reduces the level of perceived risk and encourages more investment activity, added to the loosening of financial conditions.

The Federal Reserve has expressed concern about the potential for loose financial conditions to undercut its efforts to bring inflation down. When financial conditions are loose, people are more willing to take risks and borrow money, which can lead to higher spending and demand for goods and services. This increased demand could drive up prices, keeping inflation elevated and forcing the Federal Reserve to tighten further.

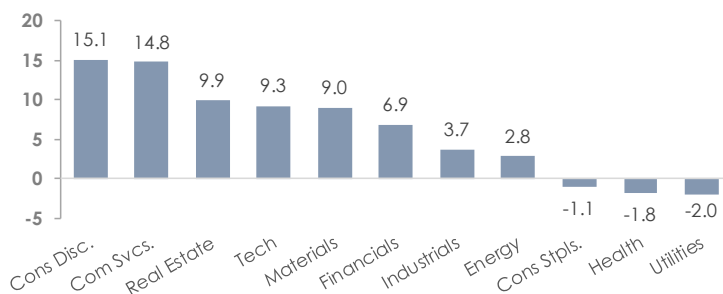
Policymakers will keep a close eye on financial conditions as 2023 progresses.

FIGURE 1
U.S. Style Returns (January in %)

	Value	Blend	Growth
Large	5.1	6.3	8.3
Mid	8.1	8.3	8.7
Small	9.7	9.8	10.0

Data Reflects Most Recently Available As of 1/31/2023

FIGURE 2
U.S. Sector Returns (January in %)



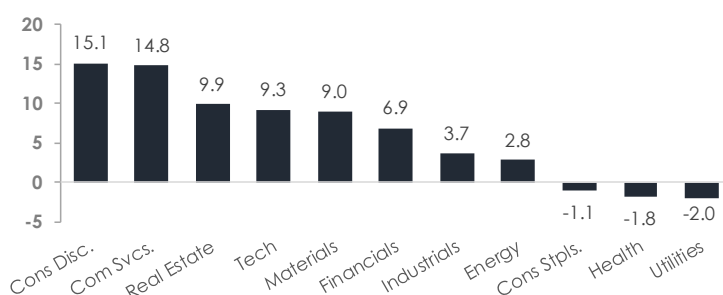
Data Reflects Most Recently Available As of 1/31/2023

FIGURE 3
U.S. Style Returns (YTD in %)

	Value	Blend	Growth
Large	5.1	6.3	8.3
Mid	8.1	8.3	8.7
Small	9.7	9.8	10.0

Data Reflects Most Recently Available As of 1/31/2023

FIGURE 4
U.S. Sector Returns (YTD in %)



Data Reflects Most Recently Available As of 1/31/2023

FIGURE 5
Market Data Center

Stocks	1 month	3 months	6 months	YTD	1 year	3 years	Dividend Yield	NTM P/E	P/B
S&P 500	6.3%	5.7%	-0.5%	6.3%	-8.2%	31.9%	1.56%	17.7x	3.9x
Dow Jones	3.0%	4.6%	4.7%	3.0%	-1.1%	27.0%	1.86%	17.4x	4.4x
Russell 2000	9.8%	4.9%	3.2%	9.8%	-3.6%	23.5%	1.35%	21.2x	2.0x
Russell 1000 Growth	8.3%	4.5%	-4.9%	8.3%	-16.1%	31.8%	0.84%	23.1x	9.2x
Russell 1000 Value	5.1%	7.1%	4.4%	5.1%	-0.8%	26.0%	2.04%	15.0x	2.4x
MSCI EAFE	9.0%	21.1%	9.3%	9.0%	-3.3%	14.8%	2.47%	13.1x	1.7x
MSCI EM	9.1%	22.7%	5.0%	9.1%	-13.4%	4.6%	2.29%	12.6x	1.7x
NASDAQ 100	10.6%	6.2%	-6.2%	10.6%	-18.3%	37.0%	0.72%	23.0x	6.0x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years	Commodities	Level	1 month	YTD
U.S. Aggregate	4.30%	3.3%	6.3%	3.3%	-8.3%	-6.6%	Oil (WTI)	78.87	-1.7%	-1.7%
U.S. Corporates	5.07%	5.2%	10.4%	5.2%	-10.5%	-7.6%	Gasoline	2.77	7.5%	7.5%
Municipal Bonds	3.65%	2.5%	7.1%	2.5%	-2.8%	-0.8%	Natural Gas	2.68	-34.6%	-34.6%
High Yield Bonds	8.22%	3.7%	5.3%	3.7%	-5.3%	0.5%	Propane	0.90	29.5%	29.5%
							Ethanol	2.09	-5.2%	-5.2%

Key Rates	1/31/2023	12/31/2022	10/31/2022	7/31/2022	1/31/2022	1/31/2020	Commodities	Level	1 month	YTD
2 yr Treasury	4.21%	4.42%	4.49%	2.90%	1.16%	1.32%	Gold	1,945	6.5%	6.5%
10 yr Treasury	3.53%	3.88%	4.07%	2.64%	1.78%	1.52%	Silver	23.84	-0.8%	-0.8%
30 yr Treasury	3.66%	3.97%	4.20%	2.98%	2.10%	2.01%	Copper	4.23	11.1%	11.1%
30 yr Mortgage	6.17%	6.66%	7.22%	5.28%	3.78%	3.63%	Steel	788	5.9%	5.9%
Prime Rate	7.50%	7.50%	6.25%	5.50%	3.25%	4.75%	Corn	6.80	0.2%	0.2%
							Soybeans	15.08	0.8%	0.8%

Data Reflects Most Recently Available As of 1/31/2023

The commentary in this letter reflects the personal opinions of Mayfair Advisory Group employees and does not constitute investment advice, nor should it be regarded as a description of advisory services or the performance results of any Mayfair Advisory Group client. The views stated in this commentary are subject to change at any given time without notice. Investments in securities involve the risk of loss. Past performance is no guarantee of future results.