



## Consumers Remain Resilient as the U.S. Economy Slows in Q1

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### Monthly Market Summary

- The S&P 500 Index gained +1.6% in April, outperforming the Russell 2000 Index's -1.8% return. There was limited sector return dispersion, although defensive sectors broadly outperformed cyclical sectors.
- Corporate investment grade bonds produced a +0.6% total return, slightly outperforming corporate high yield bonds' +0.2% total return.
- The MSCI EAFE Index of developed market stocks gained +2.9%, outperforming both the S&P 500 and the MSCI Emerging Market Index's -0.8% return.

### Strong Consumer Spending Offsets Weak Housing & Business Investment

The U.S. economy grew at a +1.1% annual rate in the first quarter of 2023, marking a decline from the +2.6% growth rate in the fourth quarter of 2022. It was the third consecutive quarter of growth, but it was also the second consecutive quarter where the rate of growth slowed compared to the prior quarter. Looking at the numbers, the data shows there are pockets of strength in the U.S. economy, such as strong consumer spending on goods and services and increased government spending. However, other areas remain challenged, such as single-family housing and business spending on computers, equipment, and restocking inventories.

The first quarter GDP report sends mixed signals. On one side, the slower growth indicates the Federal Reserve's plan to raise interest rates is working. The central bank's goal is to slow the economy enough to ease inflation without tipping the U.S. into a recession. Striking the right balance is difficult, but a +1.1% growth rate could be a step in the right direction. However, consumer spending remains resilient even with higher interest rates, which suggests the Fed's plan might not be working well enough. Now, the Fed must decide whether it should continue to raise interest rates or pause and assess the situation. The decision is tricky, because it usually takes time for higher interest rates to affect the economy.

### A Quick Recap of Year-to-Date Market Trends

Stocks and bonds are off to a positive start in 2023 after a tough 2022. Large cap stocks lead the way, with the S&P 500 gaining +9.2% YTD compared to the Russell 2000's +0.8% gain. Large cap stocks' performance is mainly due to the big technology companies like Microsoft, Google, and Apple, with the Nasdaq 100 returning +21.3%. In credit markets, investment grade corporate bonds have generated a +5.3% total return, outpacing high yield's +3.9% total return.

Looking at the headlines, inflation dropped to a 5% annualized pace in March, home sales rose during the spring months, and oil prices are significantly below their peak from last June. However, the path forward may be challenging and volatile. Investors are concerned about the impact of higher interest rates on the economy and banking system, the number of job openings is shrinking, and Congress is debating the debt ceiling.

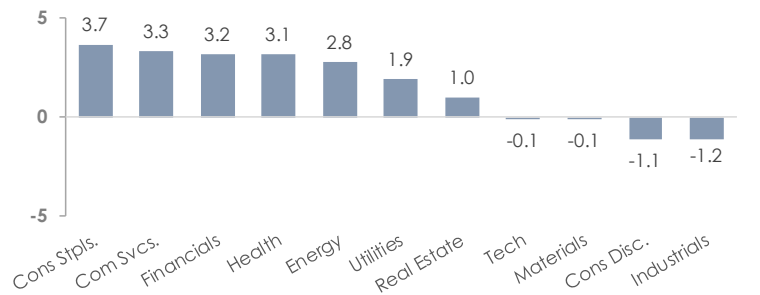
## THIS MONTH IN NUMBERS

**FIGURE 1**  
**U.S. Style Returns (April in %)**

	Value	Blend	Growth
Large	1.6	1.6	1.0
Mid	0.0	-0.6	-1.4
Small	-2.5	-1.8	-1.2

Data Reflects Most Recently Available As of 4/30/2023

**FIGURE 2**  
**U.S. Sector Returns (April in %)**



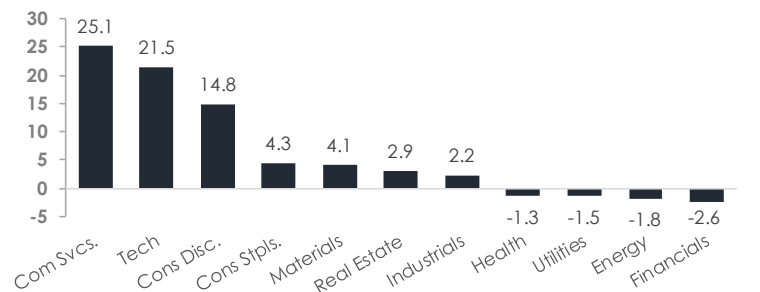
Data Reflects Most Recently Available As of 4/30/2023

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

	Value	Blend	Growth
Large	2.5	9.2	15.5
Mid	1.3	3.4	7.5
Small	-3.2	0.8	4.7

Data Reflects Most Recently Available As of 4/30/2023

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



Data Reflects Most Recently Available As of 4/30/2023

**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	1.6%	2.7%	8.5%	9.2%	2.5%	49.3%	1.55%	18.1x	3.8x
Dow Jones	2.6%	0.5%	5.2%	3.5%	5.4%	47.6%	1.92%	17.1x	4.2x
Russell 2000	-1.8%	-8.2%	-3.6%	0.8%	-3.7%	39.8%	1.61%	20.2x	1.9x
Russell 1000 Growth	1.0%	6.6%	11.4%	15.5%	2.1%	45.8%	0.84%	24.1x	9.0x
Russell 1000 Value	1.6%	-2.5%	4.4%	2.5%	1.0%	48.2%	2.14%	14.5x	2.3x
MSCI EAFE	2.9%	2.9%	24.6%	12.2%	9.8%	40.6%	2.40%	13.1x	1.7x
MSCI EM	-0.8%	-5.4%	16.2%	3.2%	-5.4%	14.1%	2.42%	11.9x	1.5x
NASDAQ 100	0.5%	9.6%	16.5%	21.3%	3.7%	49.9%	0.67%	24.6x	6.1x

Fixed Income	Yield	1 month	3 months	YTD	1 year	3 years
U.S. Aggregate	4.35%	0.6%	0.5%	3.8%	-0.3%	-8.8%
U.S. Corporates	5.18%	0.6%	0.1%	5.3%	1.0%	-7.0%
Municipal Bonds	3.88%	-0.2%	-0.1%	2.3%	2.8%	2.6%
High Yield Bonds	8.42%	0.2%	0.2%	3.9%	1.2%	8.2%

Key Rates	4/30/2023	3/31/2023	1/31/2023	10/31/2022	4/30/2022	4/30/2020
2 yr Treasury	4.06%	4.06%	4.21%	4.49%	2.69%	0.18%
10 yr Treasury	3.45%	3.49%	3.53%	4.07%	2.89%	0.62%
30 yr Treasury	3.67%	3.69%	3.66%	4.20%	2.94%	1.28%
30 yr Mortgage	6.85%	6.81%	6.47%	7.22%	5.41%	3.52%
Prime Rate	8.00%	8.00%	7.50%	6.25%	3.50%	3.25%

Commodities	Level	1 month	YTD
Oil (WTI)	75.28	-0.5%	-6.2%
Gasoline	2.48	-5.2%	-3.6%
Natural Gas	2.57	16.2%	-37.3%
Propane	0.74	-7.1%	-5.1%
Ethanol	2.31	7.2%	5.0%
Gold	1,998	0.6%	9.4%
Silver	25.58	5.9%	6.4%
Copper	3.87	-5.7%	1.7%
Steel	1,070	-3.3%	43.8%
Corn	5.84	-11.6%	-14.0%
Soybeans	14.42	-4.7%	-3.7%

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