

Independence Asset Advisors

MONTHLY MARKET REVIEW – July 2023

	July 2023	YTD	1-Year	3-Years	5-Years	10-Years
U.S. Large Cap Equities S&P 500	3.21%	20.65%	13.02%	13.72%	12.20%	12.66%
U.S. Small Cap Equities Russell 2000	6.12%	14.70%	7.91%	12.01%	5.09%	8.17%
Energy Infrastructure Equities Alerian U.S. Midstream	6.17%	13.23%	17.09%	35.18%	8.79%	--
U.S. Real Estate Equities Dow Jones U.S. Select REIT	2.87%	8.81%	-6.19%	9.00%	3.75%	5.97%
Global Equities MSCI All Country World Index	3.66%	18.11%	12.91%	10.41%	8.24%	8.64%
International Developed Equities MSCI EAFE	3.24%	15.28%	16.79%	9.25%	4.55%	5.20%
Emerging Market Equities MSCI Emerging Markets	6.23%	11.42%	8.35%	1.46%	1.71%	3.47%
U.S. Taxable Fixed Income Bloomberg U.S. Aggregate	-0.07%	2.02%	-3.37%	-4.46%	0.75%	1.50%
U.S. Tax-Exempt Fixed Income Bloomberg Municipal Aggregate	0.40%	3.08%	0.93%	-1.00%	1.87%	2.81%
High Yield Fixed Income Bloomberg U.S. Corporate High Yield	1.38%	6.83%	4.41%	2.04%	3.42%	4.38%
Floating Rate Loans Morningstar LSTA U.S. Leveraged Loan	1.29%	7.85%	9.79%	6.08%	4.25%	4.10%
International Fixed Income Bloomberg Global Aggregate Ex-U.S.	1.28%	2.12%	-2.45%	-6.83%	-2.33%	-0.98%

MARKET UPDATE

- Global equity markets extended gains in July, led by Energy Infrastructure Equities.
- In the U.S., “value” edged out “growth”, and offered better pricing (P/E) at 15.0x vs. 27.3x, respectively.
- At month end, the S&P 500 Index required a 6.1% return to reach the January 2022 peak of 4,797.
- Domestic equity gains were supported by dovish Fed comments and more signs of a “soft landing”.
- Small cap stocks gained over 6% as regional banks continued to recover from the Q1 contraction.
- Outside the U.S., developed international and emerging market equity indexes performed well.
- Developed international equities ended the month trading at a 33% discount to U.S. large cap stocks.
- Emerging market equities gained 6.3% amid modestly higher forward 12-month earnings estimates.
- Bond markets were mostly positive in July; yields were steady and prices remained discounted to par.
- High yield and floating rate loans outperformed investment grade bonds.

Sources: eVestment, Rothschild & Co., JP Morgan, xe.com, Trading Economics, MacroTrends, New York Times, MarketWatch, StatisticsCanada, Bloomberg, Washington Post

- IAA's WATCH LIST:

Category	Comments
Growth	<ul style="list-style-type: none"> The U.S. economy grew at a 2.4% annualized rate in the second quarter, a modest increase from the 2.0% annualized pace in the first quarter. Growth is expected to slow amid continued monetary tightening, and lower consumer and business spending.
Profits	<ul style="list-style-type: none"> The Q2 earnings season is underway, with 18% of companies reporting. Preliminary estimates show year-over-year growth of 7.6% and a quarterly decline of 4.0%.
Jobs	<ul style="list-style-type: none"> The U.S. economy added 187,000 jobs in July. The unemployment rate declined to 3.5%.
Inflation	<ul style="list-style-type: none"> U.S. inflation increased at its slowest pace in more than two years in June. Core PCE, which excludes Food and Energy, climbed 0.2% in June, or a 4.1% gain year-on-year, the smallest advance since September 2021.
Interest Rates	<ul style="list-style-type: none"> After pausing in June, the Fed raised interest rates by 0.25% when it met in July, to a range of 5.25%-5.50%. Fed guidance at the meeting was dovish, but future rate adjustments will be determined following the release of inflation data in the coming months.

CANADA:

- The U.S. dollar index (DXY) declined 1.0% in July and 1.6% year-to-date (see chart to the right), while the U.S. dollar weakened 0.6% against the Canadian dollar to end the month with an exchange rate of **1.31606**.



- The Bank of Canada hiked its interest rate by 0.25% in July, to 5.0%.
- The CIBC has three more opportunities to adjust interest rates this year.
- Canada's chief economist, Avery Shenfeld, recently asked about a potential "soft landing" recession, responded by saying: "If not an outright recession, we could still see a three-quarter period of negligible economic gains, and a half point or so climb in the jobless rate."
- Guidance suggests one more rate increase on September 6th, predicated on lower but still over-target inflation, better-than-expected corporate earnings results and a resilient labor market.

COMMODITIES:

OIL:

- **The price of crude oil was \$81.64 per barrel (WTI).**
- Oil prices increased \$11.00 per barrel, or 15.6%, in July.
- The July gain, the largest monthly increase since January 2022, was directly attributable to tighter supply and the greatest U.S. demand in nearly four years.
- **Oil is forecasted to trade between \$83 and \$91 per barrel this year amid forecasted production cuts from Saudi Arabia.**

Year	Ave. Price	High	Low	% Change
2023	\$75.00	\$83.13	\$66.74	1%
2022	\$94.53	\$123.70	\$71.59	7%
2021	\$68.17	\$84.65	\$47.62	55%
2020	\$39.68	\$63.27	\$11.26	-21%
2019	\$56.99	\$66.24	\$46.31	35%
2018	\$65.23	\$77.41	\$44.48	-25%
2017	\$50.80	\$60.46	\$42.48	12%
2016	\$43.29	\$54.01	\$26.19	45%
2015	\$48.66	\$61.36	\$34.55	-31%
2014	\$93.17	\$107.95	\$53.45	-46%

COPPER:

- **The price of copper was \$4.02 USD per pound.**
- Copper prices increased \$0.26 per pound, or 6.9%, in July.
- The monthly price increase was attributable to concerns that tight supply and increased demand may cause shortages. The supply shortage resulted from lower Chilean production and a factory activity contraction in China.
- **Copper is forecasted to trade at \$4.00 per pound by the end of Q3 and \$4.25 in 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$3.95	\$4.29	\$3.57	5%
2022	\$4.00	\$4.94	\$3.23	-14%
2021	\$4.24	\$4.76	\$3.52	27%
2020	\$2.80	\$3.63	\$2.10	26%
2019	\$2.72	\$2.97	\$2.53	6%
2018	\$2.93	\$3.30	\$2.56	-20%
2017	\$2.81	\$3.30	\$2.49	32%
2016	\$2.20	\$2.69	\$1.94	17%
2015	\$2.49	\$2.94	\$2.02	-25%
2014	\$3.11	\$3.38	\$2.83	-17%

ALUMINUM:

- **The price of aluminum was \$2,282 USD per tonne.**
- Aluminum prices increased \$131 per tonne, or 6.1%, in July.
- Aluminum prices recovered in July but remained negative for the year. The monthly gain was attributable to lower domestic production.
- **Aluminum is forecasted to trade at \$2,184 USD/tonne by the end of Q3 and at \$2,049 in 12 months.**

Year	Ave. Price	High	Low	% Change
2023	\$2,340	\$2,131	\$2,130	-4%
2022	\$2,711	\$3,966	\$2,103	-15%
2021	\$2,486	\$3,198	\$1,954	42%
2020	\$1,732	\$2,068	\$1,427	9%
2019	\$1,811	\$1,936	\$1,706	-2%
2018	\$2,115	\$2,556	\$1,817	-19%
2017	\$1,979	\$2,272	\$1,686	34%
2016	\$1,610	\$1,784	\$1,450	12%
2015	\$1,679	\$1,978	\$1,436	-18%
2014	\$1,984	\$2,107	\$1,840	0%

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