

U.S. Equity

- ▶ Domestic equity markets, as represented by the S&P 500 Index (S&P), returned 6.61% in June.
- ▶ Within the S&P 500 Index, all of the 11 sectors posted positive returns. The Consumer Discretionary sector was the best performer for the month returning 12.07%. Industrials was second best, rebounding from last month's negative returns with a gain of 11.29%. Utilities was the worst performing sector, posting a return of 1.65%.
- ▶ Positive returns were seen across all market capitalizations, with small-caps (Russell 2000) returning 8.13%, mid-caps (Russell Mid Cap Index) returning 8.34%, and large-caps (Russell 1000 Index) returning 6.75%. Growth stocks outperformed value stocks in small and large capitalizations, but value stocks outperformed in mid-caps.

Non-U.S. Equity

- ▶ Non-U.S. equity markets, represented by the MSCI ACWI ex-U.S., returned 4.49%. Developed markets, represented by the MSCI EAFE Index, saw returns of 4.55%, and emerging markets (EM), represented by the MSCI Emerging Markets Index saw returns of 3.80% in June.
- ▶ Within the ACWI ex-U.S. Index, all of the 11 sectors posted positive returns. Consumer Discretionary was also the best performing sector internationally, with a return of 7.21%. Energy switched from the worst performer last month to the second best in June, posting a return of 6.47%. Healthcare was the worst performer, posting a return of 0.43%.
- ▶ Regionally, non-U.S. equities saw positive returns across the board, with EM Latin America performing the best, returning 12.01% as it benefited from Brazil's receding inflation which raises the prospect of rate cuts in the second half of the year. EM Asia performed the worst, returning 2.71% as China's highly anticipated economic recovery remains underwhelming.

Fixed Income

- ▶ Treasury yields rose on the shorter end of the curve in June, with the 2- and 5-year rates increasing by 50 and 40 basis points (bps) respectively. On the long end, the 10-year saw a 19 bps increase in rates while the 30-year saw no increase, leading the Broad Treasury Index to return -0.73% for the month.
- ▶ The Bloomberg U.S. Aggregate Index (Aggregate) returned -0.36% in June. Investment-grade (IG) credit as a whole returned 0.31%, AAA-rated bonds returned -0.71%, AA-rated bonds returned 0.03%, A-rated bonds returned 0.23%, and BBB-rated bonds returned 0.61%. High yield corporates saw a return of 1.67% during the month.

Alternatives and Other Asset Classes

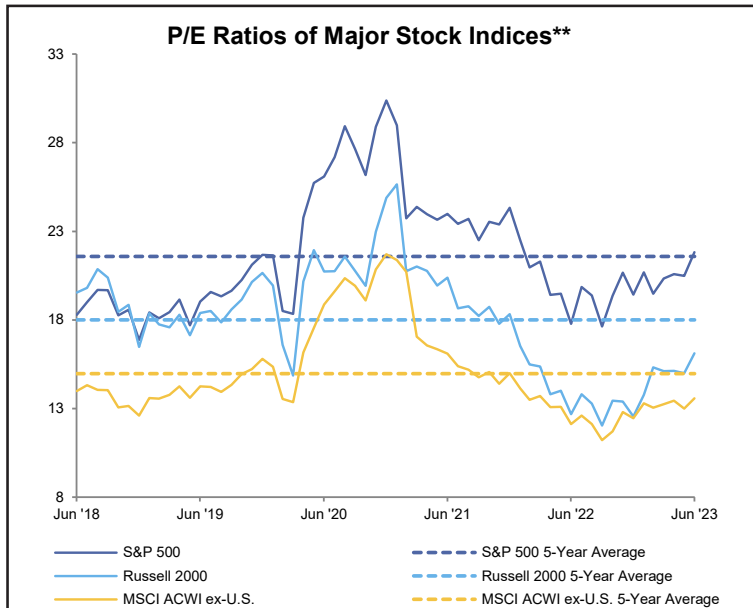
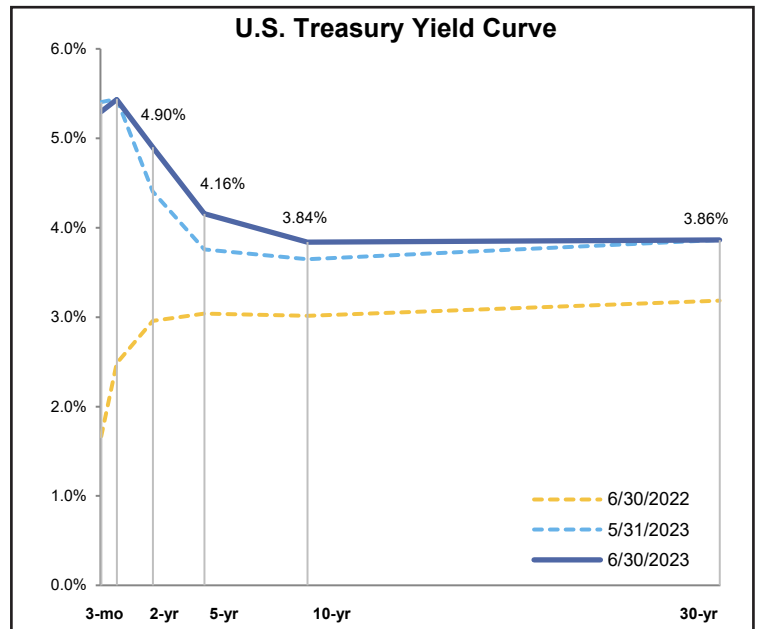
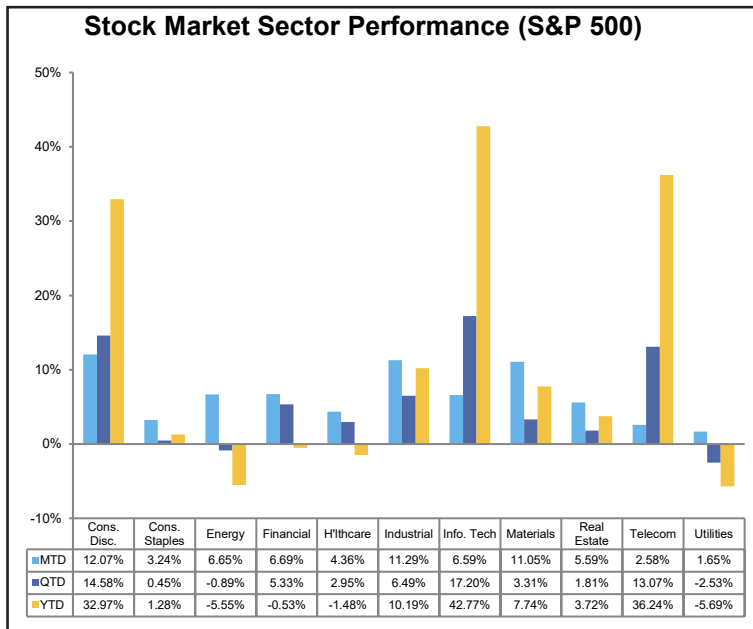
- ▶ Real estate investment trusts (REITs), represented by the FTSE NAREIT Index, returned 5.15%. All nine real estate sectors had positive returns for the month. Office did the best, returning 10.38%. The worst performing sector of the month was Diversified, returning 0.23%.
- ▶ The active contract for West Texas Intermediate (WTI) crude rose to \$70.64/barrel in June, up from \$68.09/barrel at the end of May but down \$35.12 year-over-year (YoY).

Items to Watch

- ▶ Central Banks continue the fight against sticky inflation. At their June meetings the European Central Bank (ECB) and the Federal Reserve (Fed) diverged as the Fed paused raising rates while the ECB chose to hike by 25 bps. Despite the Fed's pause last month, both central banks have kept messaging strong on the likelihood of additional rate hikes this year. The Fed's latest projections suggest two additional rate hikes with the median expectation for the target rate to peak at 5.6% this year, significantly higher than the March projection of 5.1%.
- ▶ The U.S. economy continued to expand in June, though unequally with strength in services offsetting manufacturing contraction. While the S&P Global U.S. Composite PMI remained expansionary at 53.0, the Manufacturing PMI index fell to a six-month low of 46.3 while services rose to 54.1.
- ▶ Globally, purchasing manager surveys show slowing activity in the major economies during the second quarter, though only the Eurozone composite dipped into contractionary territory. The HCOB Eurozone Composite PMI saw a reading of 49.9 in June while the au Jibun Bank Japan Composite PMI fell to 52.1 and the Caixin China General Manufacturing PMI fell to 52.5. Manufacturing output continues to lead the slowdown across markets, with services businesses still modestly expanding.
- ▶ Consumer demand remains strong in the U.S. The Conference Board Consumer Confidence Index rose to 109.7 in June, the highest level in over a year, while retail sales unexpectedly rose 0.3% month-over-month in May 2023. This is a sign that consumers are still fueling the economy, with spending growing across every category except gasoline stations and miscellaneous stores. Supporting this demand, average hourly earnings increased 4.4% YoY in June and hours worked rose to 34.4, indicating rising incomes.

Total Return of Major Indices				
Domestic Equity	MTD	QTD	YTD	1 YR
S&P 500	6.61%	8.74%	16.88%	19.56%
Russell 3000	6.83%	8.39%	16.16%	18.93%
Russell 2000	8.13%	5.19%	8.06%	12.27%
Russell 1000	6.75%	8.58%	16.67%	19.34%
International Equity	MTD	QTD	YTD	1 YR
MSCI ACWI ex-U.S.	4.49%	2.44%	9.47%	12.72%
MSCI EAFE	4.55%	2.95%	11.67%	18.77%
MSCI Emerging Markets	3.80%	0.90%	4.89%	1.75%
Fixed Income	MTD	QTD	YTD	1 YR
Bloomberg U.S. Agg	-0.36%	-0.84%	2.09%	-0.94%
Bloomberg Global Agg	-0.01%	-1.53%	1.43%	-1.32%
Bloomberg U.S. HY	1.67%	1.75%	5.38%	9.06%
Alternatives	MTD	QTD	YTD	1 YR
FTSE NAREIT Equity	5.15%	2.62%	5.37%	-0.13%
Bloomberg Commodity	3.59%	-3.82%	-10.04%	-13.30%

Economic Indicators		
Domestic	Current	Previous Month
Unemployment Rate (%)	3.6%	3.7%
Initial Jobless Claims (4 week average)	257.5 K	256 K
CB Leading Economic Indicators	-0.7	-0.6
Capacity Utilization	79.6%	79.8%
GDP (annual growth rate)	2.0%	2.6%
University of Michigan Consumer Confidence	64.4	59.2
New Home Starts	763 K	680 K
Existing Home Sales	4.3 MM	4.3 MM
Retail Sales (YoY)	1.0%	1.6%
U.S. Durable Goods (MoM)	1.8%	1.2%
Consumer Price Index (YoY)	4.0%	4.9%
Producer Price Index (MoM)	-1.7%	0.5%
Developed International*	3/31/2023	12/31/2022
Market GDP (annual rate)	2.2%	1.9%
Market Unemployment	4.3%	4.2%



Source: Bloomberg. Data as of June 30, 2023, unless otherwise noted.
 *Developed market data is calculated with respect to the weightings in the MSCI World ex-U.S. Index. Most current data is as of March 31, 2023 due to release dates of numerous countries.
 **P/E ratios are calculated based on one-year-forward estimates and adjusted to include only positive earning results for consistency.

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