CETERA®
INVESTMENT
MANAGEMENT

MONTHLY RECAP

July 2023 Recap

At-A-Glance

After surging 6.61% in June, the S&P 500 rose around half as much in July but ended near a 16-month high. The Dow Industrials and Nasdaq Composite gained 3.44% and 4.05% in July.

Following the Fed's eleventh rate hike, the yield on U.S. 10-year Treasury notes briefly topped 4.0% but ended July at 3.954%, up 0.14% for the month.

U.S. WTI oil futures surged over $11 (+15.8%) in July, ending at $81.80/barrel.

Overall, the Bloomberg Commodity Index widely outperformed U.S. stocks and bonds, rallying 6.26% in July. The gain trimmed its YTD loss to 2.02%.

.

.

Market Indices[1]	July	Year-to-Date
S&P 500	3.21%	20.65%
Russell 3000	3.58%	20.33%
Russell 2000	6.12%	14.70%
MSCI EAFE	3.25%	15.77%
MSCI Emerging Markets	6.29%	11.71%
Bloomberg U.S. Aggregate Bond	-0.07%	2.02%
Bloomberg U.S. Municipal Bond	0.40%	3.08%
Bloomberg U.S. Corporate High Yield	1.38%	6.83%

[1]FactSet (all equity performance is total return, which includes reinvested dividends)

Equities ended July on a quiet but broadly positive tone, sending the S&P 500 up over 3.2% for the month and extending its year-to-date (YTD) gain above 20%. It was the fifth straight monthly gain for the index, its longest sustained rally since August 2021. Notably, investors looked past worries about a second quarter earnings recession as mostly favorable economic data boosted hopes for a soft-landing scenario despite the Fed's rate hikes. Moreover, with the S&P 500 up over 20% YTD, there are some signs of capitulation among bearish institutional investors.

Market momentum was supported by several positive themes, including continuing disinflationary trends, and increasing economic growth. July economic reports showed annualized U.S. inflation rose at its slowest pace in more than two years in June, firming expectations that the Federal Reserve is moving closer toward ending its interest rate hiking cycle. Second quarter GDP growth came in at 2.4%, topping estimates for 1.8% and up from 2.0% growth in the first quarter. The increase was driven by still resilient consumer spending and an impressive 7.7% quarter- over- quarter jump in business investment.

Wall Street continues to be hampered by a global backdrop of rising interest rates and continued slowing trends in China. Domestically, on July 26, Fed policymakers voted to raise the Fed Funds rate by 0.25% to a current range of 5.25% - 5.50%, a 22-year high. As was widely expected, the June rate pause proved to be short-lived, but according to CME futures contracts, the odds are low for a September hike at around 17%. A 2.3% U.S. dollar rally, since bottoming in mid-July, is another headwind to equity performance. The dollar's weakness over the past year has been a tailwind to U.S. corporate profits for companies with a high level of international sales.

More favorably, second-quarter earnings are continuing to come in better than feared. More than half of S&P 500 companies have now reported quarterly results with nearly 80% of them showing a positive EPS surprise, topping the five-and 10-year averages, while a lesser 64% posted a positive revenue surprise. Despite the accolades, overall S&P 500 company earnings projected to contract by 7%, but that is down from earlier estimates for a decline of 7.4% at the beginning of the earnings season.

As shown in the style performance boxes below, small caps broadly outperformed mid and large caps last month. Growth continues to dominate over value on a YTD basis, especially among large cap companies. Amongst value stocks, however, small cap values' strong 7.55% July performance, extended its YTD gain into double digit returns.

July

	Value	Core	Growth
Large	3.52%	3.44%	3.37%
Mid	4.35%	3.97%	3.03%
Small	7.55%	6.12%	4.68%

YTD

	Value	Core	Growth
Large	8.82%	20.69%	33.36%
Mid	9.81%	13.33%	19.45%
Small	10.24%	14.70%	18.86%

Style returns are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Cetera Investment Management, FactSet, FTSE Russell, total return based, which includes dividends. Investors cannot invest directly in indexes. Data as of 7/31/2023.

In the sector performance, all 11 S&P 500 sector groups posted positive returns in July with gains dominating in Energy, followed by Communication Services and Financials. While Energy did the best last month, it was the smallest gainer on a YTD basis. Energy was the best-performing sector in 2021 (+54.6%) and 2022 (+65.7%).

Top Sector Performers – July	**Bottom Sector Performers – July** [1]
Energy (+7.40%)	Consumer Staples (+2.14%)
Communication Services (+6.94%)	Real Estate (+1.25%)
Financials (+4.85%)	Healthcare (+1.02%)
Top Sector Performers – YTD	**Bottom Sector Performers – YTD** [1]
Technology (+46.60%)	Energy (+1.47%)
Communication Services (+45.70%)	Healthcare (-0.48%)
Consumer Discretionary (+36.31%)	Utilities (-3.36%)

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equity markets slightly outperformed the U.S. in July, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) topping S&P 500 returns by just 0.04%. Emerging markets, however, surged almost 6.3% last month, outperforming the S&P 500 by over 3%. For the year, however, the S&P 500 is widely outperforming the EAFE and emerging market indices.

Turning to fixed-income markets, investors closely monitored Treasury yields that gyrated amidst changing global central bank rate outlooks. Treasury yields remain inverted with shorter maturity Treasurys yielding more than longer-term notes and bonds. On a broader basis, investment-grade bonds were little changed in July, down just 0.07% as measured by the Bloomberg U.S. Aggregate Bond Index. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, gained nearly 1.4% in July and municipal bonds rose 0.4%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

About Cetera® Investment Management
Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group
"Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101.

Disclosures
Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary
The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P.

Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody’s and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.