

At-A-Glance

Apart from the S&P 500 reaching a 14-month high, the Nasdaq Composite (+32.32%) posted its strongest first-half performance in four decades (since 1983), nearly double the S&P 500 gain.

Internationally, for the quarter, the MSCI EAFE Index, representing developed equity markets outside the U.S. and Canada, returned nearly six percentage points less than the S&P 500.

Hurt most by a 9.71% quarterly loss in China, Emerging markets trailed the S&P 500 by a larger 7% differential.

The yield on benchmark U.S. 10-year Treasury Notes ended Q2 at 3.810%, up nearly 0.32% from 3.495% three months earlier.

The Bloomberg Commodity Index gained 4.04% in June, trimming its Q2 and YTD losses to 2.56% and 7.79% respectively.

Gold backpedaled during the quarter to end at \$1,929/oz., trimming its YTD gain to 5.65%. U.S. WTI crude oil finished the month at \$70.64/barrel, down nearly 12% YTD.

QUARTERLY RECAP

Second Quarter 2023 Recap

Market Indices ¹	June	2Q 2023	YTD
S&P 500	6.61%	8.74%	16.89%
Russell 3000	6.83%	8.39%	16.17%
Russell 2000	8.13%	5.21%	8.09%
MSCI EAFE	4.55%	2.95%	11.67%
MSCI Emerging Markets	3.80%	0.90%	4.89%
Bloomberg US Aggregate Bond	-0.36%	-0.84%	2.09%
Bloomberg US Municipal Bond	1.00%	-0.10%	2.67%
Bloomberg US Corporate High Yield	1.67%	1.75%	5.38%

¹Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

Equities powered higher in June to cap a third straight quarterly gain on the S&P 500 as the rally in technology mega caps gained further traction. Quarterly and year-to-date (YTD) gains have been underpinned by signs for a healthier economy which has so far outweighed concerns about higher-for-longer interest rates. Halfway through the year the S&P 500 has posted a 16.9% gain, its best first-half performance since 2019. The biggest drivers for strong first-half equity gains were the outsized performance within growth sectors, fueled by a broad interest in artificial intelligence (AI) together with improved earnings trends.

As mentioned, outsized gains have been concentrated among the largest market cap stocks. The Nasdaq 100 Index, comprised of the most highly capitalized technology stocks has surged 39.4% YTD, its strongest first-half performance on record. The seven largest S&P 500 stocks, all of which are also in the Nasdaq 100, have boosted their profits by 14% a year during the decade through 2022, and while their combined earnings fell 20% last year, their profits appear to be quickly recovering. In a new milestone and second-quarter highlight, the leading smartphone maker's market cap eclipsed the \$3 trillion mark, the first company to ever do so.

In the latest economic signposts, the economy expanded more strongly than expected in the first quarter. U.S. GDP growth was upwardly revised to a 2.0% annualized pace in the first three months of the year, up from a prior estimate of 1.3%. While down from 2.6% growth in the 4Q 2022, the upward revision broadly undercuts prior expectations that the U.S. is heading for a near-term recession. The revision was largely due to increased personal consumer expenditures (+4.6%) and exports were stronger than previously thought (+7.8%).

Moreover, May durable goods orders posted an unexpected increase, consumer confidence continued to improve, and weekly initial jobless claims declined the most in 20 months. Perhaps most importantly, the quarter-ending report of headline PCE prices, one of the Fed's most preferred measures of inflation, rose just 0.1% in May, cooling to just 3.8% on an annualized basis, the lowest since April 2021.

As shown in the style box performance boxes below, large caps underperformed small and mid caps in June, while they widely beat in the second quarter and YTD periods. In a monthly trend reversal, Mid cap value stocks outperformed all other styles in June, whereas larger cap growth continued to outperform for the quarter and YTD.

	June			Second Quarter			YTD 2023		
	Value	Core	Growth	Value	Core	Growth	Value	Core	Growth
Large	6.64%	6.75%	6.84%	4.07%	8.58%	12.81%	5.12%	16.68%	29.02%
Mid	8.67%	8.34%	7.73%	3.86%	4.76%	6.23%	5.23%	9.01%	15.94%
Small	7.94%	8.13%	8.29%	3.18%	5.21%	7.05%	2.50%	8.09%	13.55%

Morningstar Direct Style Box Index returns above 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: Morningstar Direct, total return based, including reinvested dividends.

In sector performance, all 11 S&P 500 major sector groups ended positive in June, led by Consumer Discretionary and Industrials while for Q2, Technology gained the most followed by Consumer Discretionary. Halfway through the year, Technology and Communication Services remain at the top of the leaderboard. Separately, drilling into YTD industry category leaders, Technology Hardware (+38.1%) and Homebuilders (+36.1%) surprisingly outperformed Semiconductors (+32.7%). Regional banks (-29.2%) are down the most.

Top Sector Performers – June ¹	Bottom Sector Performers – June ¹
Consumer Discretionary (+12.07%)	Consumer Staples (+3.24%)
Industrials (+11.29%)	Communication Services (+2.58%)
Materials (+11.05%)	Utilities (+1.65%)
Top Performers – Second Quarter ¹	Bottom Performers – Second Quarter ¹
Technology (+17.20%)	Consumer Staples (+0.45%)
Consumer Discretionary (+14.58%)	Energy (-0.89%)
Communication Services (+13.06%)	Utilities (-2.53%)
Top Performers – YTD 2023 ¹	Bottom Performers – YTD 2023 ¹
Technology (+42.77%)	Healthcare (-1.48%)
Communication Services (+36.24%)	Energy (-5.52%)
Consumer Discretionary (+33.06%)	Utilities (-5.69%)

¹Morningstar Direct (all performance figures are total return based, which include reinvested dividends)

U.S. Treasuries, as measured by the Bloomberg U.S. Government Bond Index, fell 0.74% in June to extend a 1.35% second quarter decline, trimming its YTD gain to 1.59%. Longer-term U.S. Government bonds (-2.29%) fell the most last quarter, trimming its YTD gain to 3.73%. Bond prices fall as yields rise.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) posted a second quarter loss of almost 0.85%, trimming its YTD gain to 2.09%. Non-investment-grade high-yield corporate bonds (+1.75%) performed best in the second quarter, extending its 2023 YTD leadership to 5.28%. Municipal Bonds (-0.10%) slipped fractionally for the quarter while trimming its YTD gain to 2.67%.

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

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Glossary

The Bloomberg U.S. 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.

The Bloomberg U.S. 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 pre-refunded 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.

The Bloomberg U.S. 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.

The **Bloomberg 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 **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 re-weightings 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 **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

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.