Goodman Financial

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Q2 2023 MARKET & ECONOMIC REVIEW

Major Equity Market Indexes & Commentary

INDEX	DESCRIPTION	3/31/23	LOW CLOSE	HIGH CLOSE	6/30/23	QTD RETURN*
S&P 500	A market-capitalization weighted index of 500 large U.S companies.	4,109	4,056	4,450	4,450	↑ 8.3%
DJIA	Dow Jones Industrial Average or "The Dow"; A price-weighted average of 30 major U.S. companies.	33,274	32,765	34,408	34,408	↑ 3.4%
Nasdaq Composite Index	A market-capitalization weighted index comprised of over 3,000 companies, mostly in the technology and biotech industries.	12,222	11,799	13,788	13,788	↑ 12.8%
Russell 2000	A market-capitalization weighted index tracking U.S. small-cap stocks.	1,802	1,719	1,896	1,889	↑ 4.8%
NIKKEI 225	A price-weighted index comprised of Japan's top 225 most established companies (in Yen).	28,041	27,473	33,706	33,189	↑ 18.4%
MSCI Emerging Markets	An index comprised of 23 MSCI indices from emerging economies including Brazil, China, India, Mexico, Russia, South Africa, and the UAE.	990	959	1,030	989	↓ -0.1%
Stoxx Europe 600	An index comprised of 600 companies based in one of 18 EU countries including Austria, Belgium, Denmark, France, Germany, Ireland, Spain, and the United Kingdom (in Euro).	458	452	469	462	↑ 0.9%

*** Excludes effects of dividends** **Sources: FactSet**

EQUITY MARKETS COMMENTARY

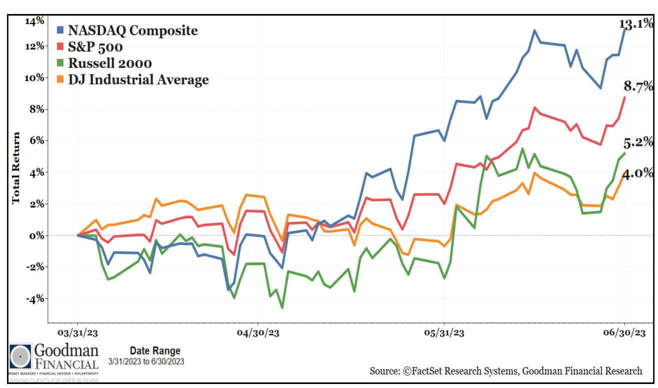
- US equity indexes continued their upward trend in the second quarter, building on a strong start to the year. However, the market rally has been driven by a small number of the largest tech companies which have supported those indexes with more exposure to large caps and growth stocks. As seen in the chart below on the right, the S&P 500 returned 8.7% in the second quarter including dividends and ended the first half at a new 52-week high. The Nasdaq Composite was the standout performer, returning over 13% in the quarter and now up over 30% year-to-date. The Dow Jones Industrial Average lagged the other major large-cap indexes again this quarter due to lower relative exposure to the best performing technology stocks, and year-to-date is up only 4.9%, including dividends. Finally, the Russell 2000 small-cap index returned 5.2% in the quarter and has gained 8.1% for the year, including dividends.
- International stocks were mixed during the quarter with the MSCI Emerging Markets Index ending essentially unchanged while developed Eurozone markets were up slightly as seen by the Stoxx Europe 600 gaining about 1% for the quarter. Japan was the anomaly as the NIKKEI 225 gained more than 18% partly driven by continuous buying from foreign investors including recent well-publicized investments by Warren Buffett. Additionally, structural shifts in the Japanese economy and ongoing expectations of shareholder-friendly corporate governance reforms have supported the Japanese equity market this year. Japan is the biggest country weight, at 22% of the SPDR® Portfolio Developed World Ex U.S. ETF (SPDW) that GFC clients own.

Table Comprised of the Following Indexes:

S&P 500 Large-Cap Total Return Index
S&P 500 Large-Cap Value Total Return Index
S&P 500 Large-Cap Growth Total Return Index
S&P 400 Mid-Cap Total Return Index
S&P 400 Mid-Cap Value Total Return Index
S&P 400 Mid-Cap Growth Total Return Index
S&P 600 Small-Cap Total Return Index
S&P 600 Small-Cap Value Total Return Index
S&P 600 Small-Cap Growth Total Return Index

Q2 2023 Market Segment Returns

	Value	Blend	Growth
Large	6.6%	8.7%	10.6%
Mid	4.5%	4.9%	5.1%
Small	1.9%	3.4%	4.8%



Q2 2023
MARKET & ECONOMIC REVIEW
Fixed Income Rates & Commentary

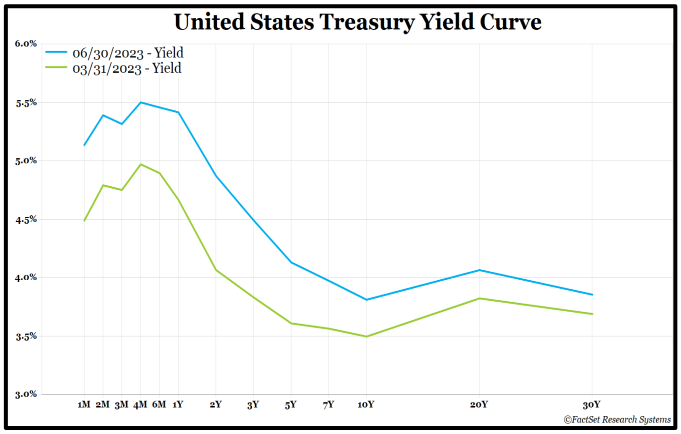
DESCRIPTION	3/31/23	6/30/23	QTD CHANGE IN BASIS POINTS*	DESCRIPTION	3/31/23	6/30/23	QTD CHANGE IN BASIS POINTS*
Federal Funds Target Rate	4.75%-5.00%	5.00%-5.25%	+25	15 Yr. Mortgage Rate	5.56%	6.06%	+50
90 Day Treasury Bill	4.85%	5.43%	+58	30 Yr. Mortgage Rate	6.32%	6.71%	+39
2 Yr. Treasury Note	4.06%	4.87%	+81	Prime Rate (U.S.)	8.00%	8.25%	+25
10 Yr. Treasury Note	3.48%	3.81%	+33	LIBOR (3 Month)	5.19%	5.55%	+36
30 Yr. Treasury Bond	3.67%	3.85%	+18	5-Year CD	1.35%	1.37%	+2

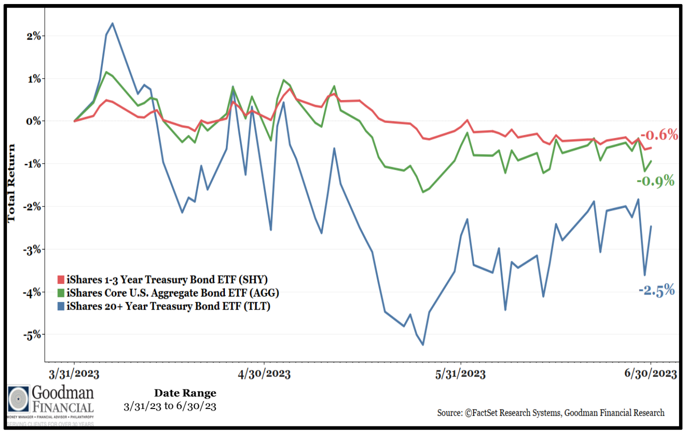
***One basis point is equal to 1/100th of 1% or 0.01%**

Sources: FactSet, Wall St. Journal, U.S. Treasury

FIXED INCOME COMMENTARY

- The Federal Reserve (Fed) raised the Federal Funds target rate by another 25 basis points at the May meeting but took a break in June leaving the target rate at 5.00% to 5.25% in order to allow the previous policy efforts to take effect. The market expects another 25-basis point hike at the next meeting in late July which would bring the target rate to 5.25% to 5.50%. Nevertheless, the Fed's aggressive tightening campaign appears to be close to the end as the odds of another rate hike in 2023 after the July hike have declined below 50%, which may set the stage for potential rate cuts in 2024.
- The table above shows that rates rose across the board during the quarter as indicated by all the green arrows. The yield on the 2-year Treasury Note was up 81 basis points and ended at 4.87%. The Treasury yield curve steepened further, as seen in the chart on the left, with yields on shorter-dated bonds rising more than longer-dated bonds. As such, the 10-year T-Note yield rose 33 basis points while the yield on the 30-year T-Bond rose 18 basis points.
- Rising rates during the quarter meant total returns on bond ETFs were negative. Longer dated maturities declined more than shorter maturities due to higher interest rate sensitivity. The chart on the right shows long-dated Treasuries, represented by the iShares 20 Year Treasury Bond ETF, fell -2.5%. Intermediate-term bonds fared better with the iShares Core U.S. Aggregate Bond ETF down -0.9%. Finally, short-term bonds held the most ground as the iShares 1-3 Year Treasury ETF was down -0.6%.





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Q2 2023
MARKET & ECONOMIC REVIEW
U.S. Economic Commentary

INDICATOR	DESCRIPTION	3/31/23	6/30/23	QTD CHANGE
Weekly Initial Claims for Unemployment Insurance (in Thousands)	The number of new filings for unemployment insurance benefits. Most economists believe claims below 300,000 indicate a healthy labor market environment. **Despite the significant increase from the prior quarter, weekly initial claims are still historically low, indicating a healthy and resilient labor market.**	198	248	+25.3%
Unemployment Rate	The percentage of total labor force that is unemployed but actively seeking employment. The U.S. Federal Reserve targets a long-run unemployment rate of between 4.5% and 5%. **The unemployment rate remained historically low indicating ongoing strength in the job market.**	3.5%	3.6%	+10 bps
Average Weekly Earnings	The average weekly salary earned by private, nonfarm employees. **Wage growth of 1.2% during the quarter and 4.4% over the past year has been driven by employers competing for a limited number of workers.**	$1,141	$1,155	+1.2%
Index of Consumer Sentiment	This index is published by the University of Michigan and reflects consumer attitudes towards the state of the economy. **Sentiment rose from the prior quarter as the banking crisis faded and fallout appears to be limited.**	62.0	64.4	+3.9%
ISM Purchasing Managers Index (PMI®)	This index represents economic activity in the manufacturing sector. Any value above 50.0 represents economic expansion. **The index continued to decline to the lowest level since the onset of the pandemic implying that rising interest rates and growing recession fears are weighing on businesses.**	46.3	46.0	-4.3%
Existing Home Sales (in Millions) *	This data is provided by the National Association of Realtors®. It is a seasonally adjusted annualized rate and reflects completed transactions in houses, townhomes, and condominiums. **The drop in existing home sales is likely due to historically low inventory and higher mortgage rates.**	4.58	4.30	-6.1%
US Capacity Utilization: Manufacturing *	The ratio of production capacity being used to produce finished products compared to the total capacity available. **Utilization ticked up slightly from last quarter and was flat from the prior month. Manufacturing utilization is within 0.1% of the long-term average.**	78.3%	78.4%	+10 bps

***These items are as of 5/31/23, the date of the most recently published statistics**
Sources: FactSet, Federal Reserve Bank of St. Louis, The University of Michigan, U.S. Census Bureau, U.S Department of Labor, Institute of Supply Management

U.S. ECONOMIC HEALTH

- The labor market has remained strong and resilient, as seen in the table above. Unemployment of 3.6% and initial jobless claims below 250 thousand indicate a very healthy labor market by historical standards. These recent readings likely reinforce expectations that the Fed will raise interest rates at least once more this year. However, some signs of softening have begun to emerge including fewer job openings and job postings. According to data from Indeed.com presented in the chart on the left, job postings continued to decline through June. Additionally, the Bureau of Labor Statistics reports fewer than 10 million job openings during three of the last four months, a level that had not been breached since before the pandemic.
- The most recent Case Shiller U.S. National Home Price Index data released in late June showed a -0.2% year-over-year decrease in home prices for the last reported month of April, but a 0.7% increase from the prior month. National home prices experienced a slight downturn in the second half of last year but have since regained ground in 2023 and are now roughly flat on a year-over-year basis.
- Existing home sales fell 6% in the second quarter after jumping more than 12% in Q1 as pent-up demand is now being met with increasingly limited supply. Inventories of existing homes available for sale remain at historically low levels. The chart on the right shows the number of existing homes for sale, compiled by the National Association of Realtors. As of June 2023, there were approximately 1.08 million homes for sale, which is nearly half the number of listings in June 2019.