

DATE: April 03, 2023



## TALKING POINTS: *This weeks' conversation starters for advisors to educate and inform your clients*

### Market News

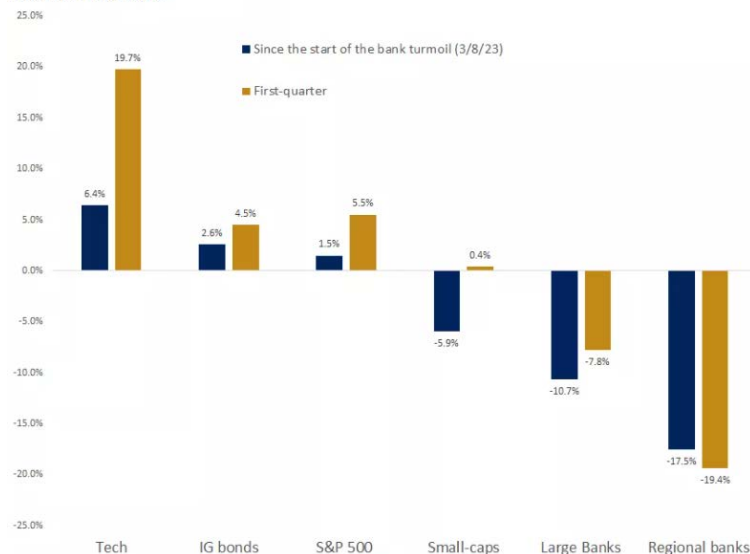
- The U.S. Core Personal Consumption Expenditure (PCE) price index, which the Fed considers one of its most preferred resources for measuring inflation, came in lower than expected at 4.6% year-over-year versus expectations of 4.7%, a good sign for the ongoing battle against inflation.
- Last week closed out the first quarter of 2023, locking in an almost 17% gain in the tech-heavy Nasdaq. The S&P 500 Index finished the quarter 7% higher, and the Dow Jones Industrial Average finished almost 1% higher. Also, growth handily outperformed both core and value, and large caps outperformed mid and small caps.
- Every S&P 500 sector finished higher for the week, with energy outperforming all other S&P sectors. Financials also finished higher for the week, helping claw back from some of the previous weeks' losses.
- According to Edward Jones, there is a possibility that equities could bottom around the same time that the Fed puts an end to their rate hiking schedule, given the close negative relationship between equity valuations and rates over the past 12 months.

### PFG Strategy News

- The Index PLUS models seemed to be one of the best performing Strategy PLUS model sets last week, locking in an average return of almost 3%.
- Almost all of the Index PLUS's underlying investments finished higher last week. One of the top performers was the PFG Fidelity Index Strategy.
  - The Strategy utilizes a strategic approach that focuses on total return. Its allocation to technology has contributed to its strong performance for the week, and throughout 2023 thus far.
- Another contributing underlying investment within the Index PLUS models is the PFG BNY Diversifier Strategy.
  - The Strategy's exposure to floating rate securities during the continuing rate hiking environment has proven to be a catalyst in the Strategy's performance year-to-date.

## CHART OF THE WEEK:

Strength in tech was able to offset weakness in banks in Q1  
Asset class returns (%)



The chart to the left shows the returns for tech and large/regional banks since the start of the banking crisis and for the quarter as a whole. The outperformance from tech helped to offset losses seen in financials, aiding major indexes to finish higher in March and for the quarter as a whole.

Chart Source:  
<https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update>

## THE WEEK AHEAD

### Monday, April 03:

- S&P Final U.S. Manufacturing PMI
- Construction Spending

### Tuesday, April 04:

- Factory Orders
- Job Openings

### Wednesday, April 05:

- ADP Employment
- U.S. Trade Balance
- S&P Final U.S. Services PMI

### Thursday, April 07:

- Initial & Continuing Jobless Claims

### Friday, April 08:

- U.S. Employment Report
- U.S. Unemployment Report
- Consumer Credit

## MODEL HIGHLIGHT



With increased interest in passive, low-cost investing, our Index PLUS models offer investors broad market exposure using lower cost, Passive holdings, which are then complemented with Tactical strategies. Working with two of the largest players in the index space, the Tactical strategies include an all-equity ESG strategy and a business-cycle sector rotation strategy, both of which remain fully invested in equities but tactically adjust allocations between various asset classes, sectors, or regions. Combining these Tactical strategies with a Passive allocation provides a twist on purely passive equity investing.

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## STRATEGIST SPOTLIGHT

PIMCO

### PFG Funds:

PFG Active Core Bond Strategy  
(PFDOX)

### EPIC Funds:

PIMCO – Taxable Fixed Income –  
Enhanced Core

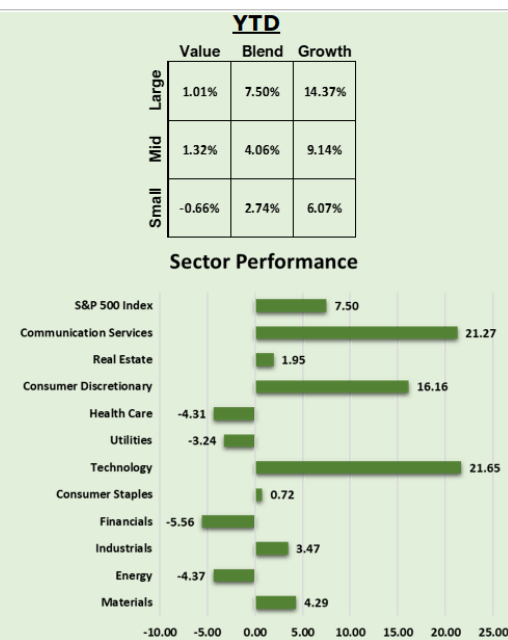
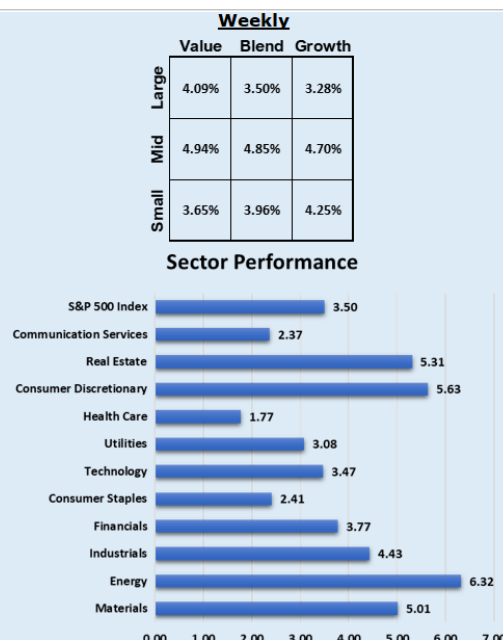
*Commentary and Insights from one of our world class investment managers:*

During the first quarter of 2023, volatility remained elevated across both risk and rates markets. In January rates and equity markets rallied as slowing inflation data alongside a strong US labor market and China's re-opening increased market expectations for a soft landing. However, this sentiment reversed during the quarter as inflation measures reaccelerated, particularly those related to stickier inflation. Central banks responded by reiterating their commitment to maintain tighter financial conditions until inflation was under control. The US experienced a mixed macroeconomic environment between soft corporate earnings and tight labor market, while Europe also showed resiliency with positive PMI data. China continued its recovery after re-opening while President Xi secured a historic third term; however, US-China tensions also increased. The quarter concluded with a significant risk-off sentiment following the Silicon Valley Bank and Signature Bank failures. Although the government made those uninsured depositors whole and the Fed stepped in to supply liquidity to other banks to stem potential bank runs, this didn't stop contagion fears from hitting equity markets while interest rates rallied.

*PIMCO Taxable Fixed Income Model Positioning:*

- We increased allocations to the PIMCO International Bond Fund (USD-H) given core bonds' increased attractiveness relative to certain credit sectors and to move up in quality given potential recession risks. In particular, international developed market duration became relatively more attractive following less significant declines in European and Japanese rates.
- We reduced allocations to the PIMCO Investment Grade Credit Bond Fund given the increased attractiveness of core bonds relative to corporate credit and in order to move up in quality amid recession risks. We continue to hold meaningful allocations to investment grade corporate credit given its ability to generate high-quality carry and its resiliency among credit sectors.

	Weekly	YTD
<b>Equities</b>		
S&P 500 Index	3.50%	7.50%
Dow Jones Industrial Average	3.22%	0.93%
NASDAQ Composite Index	3.38%	17.05%
MSCI EAFE NR	4.02%	8.47%
<b>Fixed Income</b>		
U.S. Aggregate Bond Index	-0.46%	2.96%
U.S. Corporates	0.09%	3.45%
U.S. High Yields	1.74%	3.57%
<b>Rates</b>		
	3/31/2023	3/24/2023
30-Year US Treasury	3.67%	3.64%
10-Year US Treasury	3.48%	3.38%
2-Year US Treasury	4.06%	3.76%
Prime Rate	8.00%	8.00%
30-Year Fixed Mortgage	6.45%	6.45%
<b>Commodities (Levels)</b>		
	3/31/2023	12/30/2022
Oil (WTI)	\$74.37	\$80.16
Gold	\$1,980	\$1,814
Silver	\$23.89	\$23.95
Copper	\$8,935	\$8,387
Corn	\$6.10	\$6.14





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Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

All other economic and market data sources may include, and is not limited to:

- JPMorgan Asset Management, publicly available at <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>
- Edward Jones, publicly available at <https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-marketweekly-update>
- Goldman Sachs, publicly available at <https://www.gsam.com/content/gsam/us/en/advisors/market-insights.html>
- T. Rowe Price, publicly available at <https://www.troweprice.com/personal-investing/resources/insights/global-markets-weeklyupdate.html>

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