

APRIL 2023



## Market Data

 World Stock Market Indices  
 data as of 03/31/2023

	Change (02/28/2023)	%CHG
S&P 500	4,109.31	139.16 3.51%
NASDAQ	12,211.91	766.37 6.69%
DOW JONES	33,274.15	617.45 1.89%
FTSE (UK)	7,631.74	-244.54 -3.10%
DAX (Germany)	15,628.84	263.70 1.72%
Hang Seng (Hong Kong)	20,400.11	614.17 3.10%
Nikkei (Japan)	28,041.48	595.92 2.17%

Source: Bloomberg. Please see descriptions of indices on Page 2.

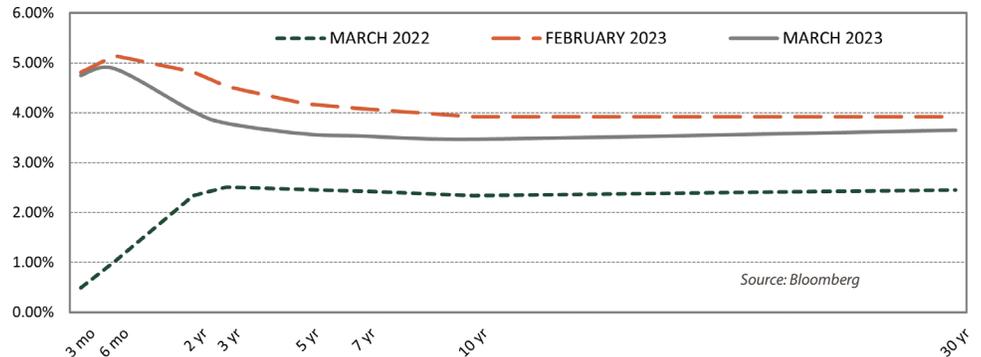
## Market Summary

Economic trends have been decelerating along with tighter financial conditions and restrictive monetary policy. Recent data suggests positive but below trend growth this year. Although the pace of job growth is moderating, labor markets remain solid, and the U.S. consumer has demonstrated resiliency. Market participants and the Federal Reserve are maintaining very divergent views regarding the future trajectory of monetary policy. Given the cumulative effects of tighter monetary policy and stress in the banking sector, we believe the Federal Reserve is likely near a pause in their rate hiking campaign. If moderate growth continues, we believe the Fed will likely maintain the Federal Funds rate in restrictive territory until inflationary pressures subside.

At the March meeting, the Federal Open Market Committee (FOMC) voted unanimously to raise the target federal funds rate by 0.25% to a range of 4.75 – 5.00%. Fed Chair Powell reiterated the committee's focus on bringing down inflation to their 2% target; however, the committee softened language about "ongoing increases" in rates in the prior statement to "some additional policy firming may be appropriate". The statement also emphasized that the U.S. banking system is "sound and resilient" and acknowledged the tightening of financial conditions. The Chandler team believes the FOMC is likely near a pause in their rate hiking cycle.

Bond yields fell in March on the back of troubles in the banking sector which led to a flight to quality into the US Treasury market. The 2-year Treasury yield fell 79 basis points to 4.03%, the 5-year Treasury yield declined 61 basis points to 3.58%, and the 10-year Treasury yield dipped 45 basis points to 3.47%.

### Treasury Yields Fell in March



The yield curve remains inverted, and yields fell across the curve in March. Bond yields still remain above year ago levels. The 2-year Treasury yield was 169 basis points higher, and the 10-Year Treasury yield was about 113 basis points higher, year-over-year. The yield curve inversion eased in March, as the spread between the 2-year Treasury yield and 10-year Treasury yield narrowed to -56 basis points at March month-end versus -90 basis points at February month-end. The yield spread between 2-year Treasury yield and 10-year Treasury yield remains well below the average spread since 2003 of around +125 basis points. The shape of the yield curve is one indicator that suggests the probability of recession is increasing.

TREASURY YIELDS	Trend (▲/▼)	03/31/2023	02/28/2023	Change
3-Month	▼	4.75	4.81	-0.06
2-Year	▼	4.03	4.82	-0.79
3-Year	▼	3.79	4.53	-0.74
5-Year	▼	3.58	4.18	-0.61
7-Year	▼	3.54	4.08	-0.55
10-Year	▼	3.47	3.92	-0.45
30-Year	▼	3.65	3.92	-0.27

Source: Bloomberg

# BOND MARKET REVIEW

## Credit Spreads Widened in March

CREDIT SPREADS	Spread to Treasuries (%)	One Month Ago (%)	Change
3-month top rated commercial paper	0.41	0.05	0.36
2-year A corporate note	0.61	0.34	0.28
5-year A corporate note	0.85	0.83	0.02
5-year Agency note	0.20	0.25	(0.05)

Source: Bloomberg

Data as of 03/31/2023

## Inflation Eased but Remains Above the Federal Reserve's Target

ECONOMIC INDICATOR	Current Release	Prior Release	One Year Ago
Trade Balance	(70.54) \$Bln FEB 23	(68.66) \$Bln JAN 23	(87.25) \$Bln FEB 22
Gross Domestic Product	2.60% DEC 22	3.20% SEP 22	7.00% DEC 21
Unemployment Rate	3.50% MAR 23	3.60% FEB 23	3.60% MAR 22
Prime Rate	8.00% MAR 23	7.75% FEB 23	3.50% MAR 22
Refinitiv/CoreCommodity CRB Index	267.73 MAR 23	269.84 FEB 23	295.18 MAR 22
Oil (West Texas Int.)	\$75.67 MAR 23	\$77.05 FEB 23	\$100.28 MAR 22
Consumer Price Index (y/o/y)	5.00% MAR 23	6.00% FEB 23	8.50% MAR 22
Producer Price Index (y/o/y)	3.20% MAR 23	6.40% FEB 23	15.30% MAR 22
Euro/Dollar	1.08 MAR 23	1.06 FEB 23	1.11 MAR 22

Source: Bloomberg

Since 1988, Chandler Asset Management has specialized in providing fixed income investment solutions to risk-averse public agencies and institutions. Chandler's mission is to provide fully customizable client-centered portfolio management that preserves principal, mitigates risk, and generates income in our clients' portfolios.

## Economic Roundup

### Consumer Prices

The Consumer Price Index (CPI) increased in March 0.1% month-over-month and 5.0% year-over-year, down from 6.0% in February. The Core CPI, which excludes volatile food and energy components, rose 0.4% month-over-month and 5.6% year-over-year, increasing from 5.5% in February. Key measures of housing costs posted the smallest monthly increases in about a year. The Personal Consumption Expenditures (PCE) index rose 5.0% year-over-year in February, improving from a 5.3% year-over-year gain in January. Core PCE, the Federal Reserve's preferred inflation gauge, increased 4.6% year-over-year in February, the smallest increase since October 2021. Inflationary trends are declining but remain above the Fed's 2% target.

### Retail Sales

Advance Retail Sales fell -0.4% in February, but prior months were revised higher. Retail sales rose 5.4% year-over-year in February, versus January's upwardly revised 7.7% year-over-year gain. The overall report exceeded expectations and points toward the resilience of the U.S. consumer. The Conference Board's Consumer Confidence Index unexpectedly increased to 104.2 in March from 103.4 in February. While high inflation and recession concerns remain top of mind for many consumers, the strong labor market and low unemployment continue to support the strength in Consumer Confidence.

### Labor Market

The U.S. economy added 236,000 jobs in March, and the prior two months were revised downward by 17,000. Although the pace of job growth is moderating, employment remains strong, with the three-month moving average payrolls at 345,000 and the six-month moving average at 315,000. The private sector reported broad gains, led by leisure and hospitality. The unemployment rate fell to 3.5% due to a sharp rise in the number of people employed, and the participation rate increased to 62.6% from 62.5% in February. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons, declined to 6.7% from the prior month at 6.8%. Average hourly earnings rose 4.2% year-over-year in March, down from a 4.6% increase in February. Job Openings dipped to 9.9 million, the first drop below 10 million since May of 2021. While the overall pace of hiring is slowing, levels remain consistent with a solid labor market.

### Housing Starts

Total housing starts rose 9.8% month-over-month in February to 1,450,000 units and were down 18.4% compared to February 2022. Starts for both single-family and multi-family homes increased as mortgage rates declined from recent peaks. The 30-year fixed rate mortgage fell to an average of 6.24% according to Freddie Mac, down from a peak of 7.08% in October, but up from 4.67% a year ago. According to the Case-Shiller 20-City Home Price Index, the year-over-year increase continued its declining rate of gain to +2.55% in January from +4.62% in December, clearly displaying the impact of higher mortgage rates year-over-year, which have reduced demand for homebuying as affordability has declined. This is the lowest rate of annual appreciation since December 2019.

### World Stock Market Index Descriptions

S&P 500—The S&P 500 is a market value-weighted index of 500 large-capitalization stocks. The 500 companies included in the index capture approximately 80% of available US market capitalization. NASDAQ—The NASDAQ Composite Index is the market capitalization-weighted index of over 3,300 common stocks listed on the NASDAQ stock exchange. Dow Jones—The Dow Jones Industrial Average is an index that tracks 30 large, publicly-owned companies trading on the New York Stock Exchange and the NASDAQ. The Financial Times Stock Exchange Group (FTSE)—The FTSE is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. DAX—The Deutscher Aktienindex (DAX) is a blue chip stock market index consisting of the 30 major German companies trading on the Frankfurt Stock Exchange. Hang Seng—The Hang Seng Index is a freefloat-adjusted market-capitalization-weighted stock market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of overall market performance in Hong Kong. Nikkei—Japan's Nikkei 225 Stock Average is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

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