MONTHLY MARKET UPDATE

April 2023

April kicked off the second quarter on a fairly positive note with most financial assets generating solid returns. Equity and fixed income markets added to a positive first quarter giving diversified portfolios a solid four-month start to the year.

Risk markets largely looked past a third high profile bank failure. First Republic was seized by regulators mid-month as the impact of higher rates again made itself evident in the form of balance sheet losses translating to bank liquidity issues. Stress across balance sheets and commercial real estate assets are widely expected to translate to curtailed lending activity contributing to a less positive growth outlook as banks grapple with issues on both fronts.

Markets were also focused on the heart of first quarter earnings reports which were less bad than forecasted, a busy economic calendar, and ample politics and posturing surrounding the debt ceiling debate. Earnings, as is typically the case, handily outpaced Wall Street forecasts currently showing a blended 2.2% loss on revenue growth of 3.9%.

Economic data in April showed a strong but cooling labor market, high but cooling inflation readings, and positive but cooling economic growth. Economic survey data across consumers, investors, and businesses reflected a resilient consumer still willing and able to spend alongside relatively depressed outlooks on the part of investors and businesses. Manufacturing sector data remained subdued globally while the resumption of post-pandemic consumption patterns has bolstered service sector activity both here and abroad.

April saw developed international equity markets (+2.8%) continue their strong run relative to the U.S. (+1.2%), with value stocks (+1.50%) slightly outperforming growth (+0.50%) stocks on the month. Emerging markets lost 1.1% largely due to China being the worst performing equity market globally despite a relatively encouraging economic profile. Interest rates edged slightly lower in April outside of the front month bill yields which increased slightly anticipating an early May rate hike from the FOMC. Credit risk pricing was largely unchanged as high yield credit spreads finished at 4.53%, very near the level seen at the end of the first quarter.

Market Anecdotes

- The mid-point of first quarter earnings has the S&P 500 looking at a 79% beat rate and a beat margin of 6.9% with blended earnings of -3.7%. Top line revenue is beating at a 74% rate with a beat margin of 2.1% and blended revenue growth of 2.9%.
- Second quarter earnings are forecasted to decline 5% by Q3 and Q4 are projected at +1.6% and +8.5% respectively for a full calendar year 2023 growth of +0.8%.
- First Republic's seizure by regulators and subsequent deal with JPMorgan has eyes on Fed balance sheet data which showed a $12.5b increase in the emergency facilities, zero utilization of foreign central bank repo facility, and total bank liquidity dropping $32.8b.
- Bank deposit flight has slowed to a trickle but the expectation is that deposits will continue to leave the banking system until the gap between deposit rates and money fund rates closes.
- Data from S&P Global illustrate a worrying trend of increasing bankruptcy filings in the first three months of 2023.
- Bloomberg noted the BofA Merrill fund manager survey registered its most bearish reading since the GFC with a high cash allocation, a net 10% overweight to bonds, and a healthy 63% of respondents expecting a weaker economy.
- With the Nasdaq (tech complex) up 21.08% and the Russell 2000 only up 0.44%, the only other times a performance gap of that magnitude (20+ percentage points) appeared were in the late 90s and early 2020.
- Sell in May? Median sector performance since 2000 has been positive for all sectors outside of telecoms. Small caps fare even better with a median gain of 1.51%.
- In forecasting lower fuel prices, RBC Capital Markets noted global refining capacity is set to increase by 1.5mbpd in 2023 and 2.4mbpd in 2024, the largest two-year increase in 45 years.

- JPMorgan updated the age-old investing discipline chart speaking to missing the big up days based on an E&Y survey citing Millennial's penchant for market timing (50%) versus other generations including Gen X (34%) and Baby Boomers (24%).

Economic Release Highlights

- The Employment Report registered 253,000 new jobs, well ahead of spot consensus of 178,000 and the unemployment rate fell from 3.5% to 3.4%. Labor Market Participation remained at 62.6% while average hourly earnings accelerated and were higher than forecasted for both MoM (0.5% vs 0.3%) and YoY (4.4% vs 4.2%).
- The CPI report released in April showed Headline and core CPI of 5.0% and 5.6% YoY with 0.10% and 0.40% MoM readings. The headline and core PPI measured 2.7% and 3.4% YoY with -0.5% and -0.1% MoM readings.
- The PIO (Personal Income and Outlays) report showed both YoY headline and core (4.2%, 4.6%) and MoM (0.1%, 0.3%) readings in line with expectations and cooling versus prior month.
- The PIO report showed Personal Consumption Expenditures (0.0%) in line but softening slightly and Personal Income (+0.3%) in line with consensus.
- The JOLT Survey registered 9.590mm, right in line with the consensus estimate of 9.60mm.
- April's ISM Manufacturing Index came in at 47.1, slightly ahead of the spot consensus 46.8. The ISM Services Index of 51.9 came in slightly ahead of the 51.7 spot forecast.
- U.S. PMI data (C, M, S) registered 53.5, 50.4, 53.7 showing improvements on both manufacturing and services fronts. E.U. and U.K. data (C, M, S) registered (54.4, 45.5, 56.6) and (53.9, 46.6, 54.9), respectively.
- Retail Sales came in below expectations (-1.0% vs -0.4%) with readings on Ex-Vehicles (-0.8% vs -0.4%) and Ex-Vehicles & Gas of -0.3%.
- April's UofM Consumer Sentiment Survey registered 63.5 versus consensus forecast of 62.7.
- Consumer Confidence index in April registered 101.3, short of the spot consensus estimate of 104.0 and below the forecast range of 103.0-110.1.
- The April NY Fed Services Activity report showed healthy levels of business activity and clearcut disinflation trends but the overall business climate deteriorating to 2012 levels.
- First Quarter Employment Cost Index registered 1.2% QoQ, above consensus (1.1%) and at the high end of the forecast range of 0.8% to 1.2%. Year-over-year growth was 4.8%.
- Durable Goods Orders on New Orders (3.2% vs 0.9%) and Ex-Transportation (0.3% vs -0.2%) handily exceeded forecasts but Core Capital Goods (-0.4% vs 0.2%) fell well short.
- The Housing Market Index registered 45, in line with consensus. Housing Starts (1.420mm) and Permits (1.413mm) came in within consensus range.
- New Home Sales of 683k came in above the consensus estimate of 634k and the high end of the forecast range (620k-660). Pending Home Sales fell 5.2% MoM, well below the forecasted 0.4% forecasted growth. The Case-Shiller Home Price Index grew 0.1% MoM and stands +0.4% YoY.

Outlook

Concerns persist surrounding how much and when banking sector balance sheet stress (loans and CRE assets) will translate to availability of credit leading us to an incrementally more cautious 12-24 month view. Also informing our view is that while we believe we are at the end of the FOMC hiking cycle, we feel they will maintain this highly restrictive level for longer than the market is currently anticipating.

We continue to see recession risks more prevalent toward the end of 2023 or first half 2024, with healthy consumer balance sheets/consumption, and an expansionary service sector ultimately not enough to offset the aforementioned concerns. We expect the start-stop conditions to continue favoring periodic tactical (0-6 months) asset allocation shifts anchored at a neutral to slight underweight equity allocation rather than a decided pro-growth or defensive investment posture.

This equity market relief rally may extend into the summer months but recommend routine profit taking on pockets of strength to maintain a slight underweight toward equities relative to respective benchmarks. We are currently neutral growth to value reflecting our view that we are nearing the end of an economic cycle. From a geography perspective, we are also neutral U.S. to non-U.S. Recommended fixed income positioning remains short duration over our forecast horizon with the deeply inverted yield curve posing a tangible cost to extending duration at this time.

Equity	Level	1 Mo	3 Mo	YTD	1 Yr	3 Yr
Dow Jones	34098	2.57	0.58	3.53	5.64	14.19
NASDAQ	12227	0.07	5.78	17.12	0.02	12.08
S&P 500	4169	1.56	2.72	9.17	2.66	14.52
Russell 1000 Growth		0.99	6.61	15.49	2.34	13.62
Russell 1000 Value		1.51	(2.52)	2.53	1.21	14.38
Russell 2000		(1.80)	(8.07)	0.89	(3.65)	11.90
Russell 3000		1.07	1.34	8.32	1.50	14.07
MSCI EAFE		2.93	3.42	11.80	9.00	12.22
MSCI Emg Mkts		(1.11)	(4.68)	2.86	(6.09)	4.71
Fixed Income	**Δ Yield**	**1 Mo**	**3 Mo**	**YTD**	**1 Yr**	**3 Yr**
US Aggregate	2.39	0.06	0.23	(0.00)	0.66	0.07
High Yield	5.73	0.06	0.32	(0.33)	1.38	0.33
Municipal	1.83	0.05	0.15	(0.04)	0.17	(0.14)

Commodities	4/30/23	2/28/23	11/30/22	8/31/22
Oil (WTI)	75.65	76.88	80.48	90.09
Gold	1982.60	1824.60	1753.50	1715.90

Currencies	4/30/23	2/28/23	11/30/22	8/31/22
USD/Euro ($/€)	1.10	1.06	1.04	1.00
USD/GBP ($/£)	1.26	1.21	1.20	1.16
Yen/USD (¥/$)	135.99	136.09	139.31	138.69

Treasury Rates	4/30/23	2/28/23	11/30/22	8/31/22
3 Month	5.10	4.88	4.37	2.96
2 Year	4.04	4.81	4.38	3.45
5 Year	3.51	4.18	3.82	3.30
10 Year	3.44	3.92	3.68	3.15
30 Year	3.67	3.93	3.80	3.27

Style Returns

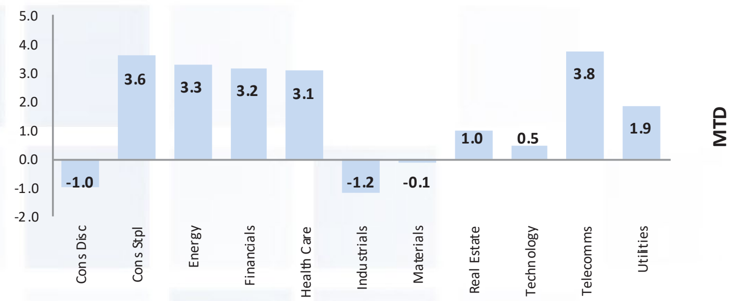
MTD

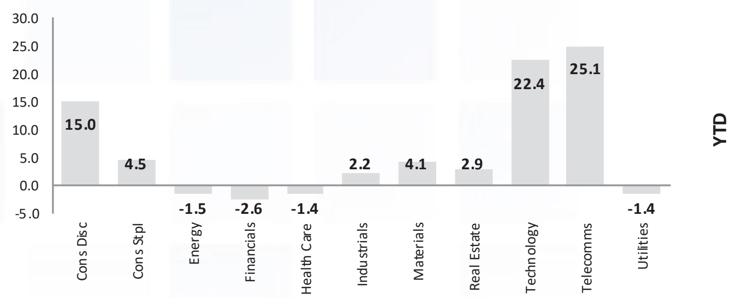
	V	B	G
L	1.51	1.24	0.99
M	0.01	-0.53	-1.45
S	-2.49	-1.80	-1.16

YTD

	V	B	G
L	2.53	8.79	15.49
M	1.33	3.51	7.56
S	-3.13	0.89	4.84

S&P 500 Sector Returns





OPAL WEALTH ADVISORS

Please remember that past performance is no guarantee of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Opal Wealth Advisors, LLC ["OWA]), or any non-investment related content, made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this commentary serves as the receipt of, or as a substitute for, personalized investment advice from OWA. OWA is neither a law firm, nor a certified public accounting firm, and no portion of the commentary content should be construed as legal or accounting advice. A copy of the OWA's current written disclosure Brochure discussing our advisory services and fees continues to remain available upon request or at www.opalwealthadvisors.com. **Please Remember:** If you are a OWA client, please contact OWA, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. Unless, and until, you notify us, in writing, to the contrary, we shall continue to provide services as we do currently. **Please Also Remember to advise us** if you have not been receiving account statements (at least quarterly) from the account custodian.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your OWA account holdings correspond directly to any comparative indices or categories. **Please Also Note:** (1) performance results do not reflect the impact of taxes; (2) comparative benchmarks/indices may be more or less volatile than your OWA accounts; and, (3) a description of each comparative benchmark/index is available upon request.

Opal Wealth Advisors / 2 Jericho Plaza / Suite 208 / Jericho, NY 11753 / t. 516.388.7980 / f. 516.388.7968 / **opalwealthadvisors.com**