Trillion Wealths

Q2 2023 Market Review

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Analysis of key market developments in the second quarter of 2023 and portfolio performance.

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1. Executive summary

Q2 2023 saw continued risk■on behavior in global equity markets led by technology and other growth sectors, while central banks shifted to a more data■dependent stance after a lengthy campaign of rate increases. Headline inflation in the United States cooled further in June 2023, allowing the Federal Reserve to pause at the June FOMC meeting and hold the federal funds target range at 5.00%–5.25%. Equities: The S&P; 500 delivered a strong quarterly gain (approximately +8.7% in Q2 2023) with the Nasdaq and large-cap growth stocks outperforming. Fixed income experienced rangebound yields with the 10■year Treasury finishing the quarter modestly higher than the lows seen in April. Commodities were mixed: crude oil declined during the quarter while safe■haven gold finished relatively flat to higher. Portfolio implications: Growth■oriented allocations outperformed during the quarter; value and broad commodity exposures lagged. Trillion Wealths' sample growth and balanced model portfolios would have benefited from overweight exposure to large■cap U.S. tech names and underweight to long■duration credit.

Key theme	Implication
Inflation moderating (US CPI ~3.0% YoY in June 2023)	Fed pause; more data■dependent policy
Equity rally led by tech and growth	Active managers focused on concentrated top performers saw hig
Oil prices softened	Energy sector underperformance vs Q1; inflation upside reduced
Yields mixed; 10Y moved within a tight range	Fixed income total returns modestly negative for longer-duration b

2. Macroeconomic overview

2.1 Inflation

Headline consumer price inflation in the U.S. continued to moderate in Q2 2023. The headline CPI rose 0.2% in June 2023 (seasonally adjusted) and was approximately 3.0% year■over■year, reflecting steady cooling from 2022 highs. This deceleration was a primary factor behind the Fed's decision to pause at the June FOMC meeting and to adopt a data■dependent stance.

2.2 Monetary policy

The Federal Reserve paused at the June 13–14, 2023 FOMC meeting, holding the target range for the federal funds rate at 5.00%–5.25%. While the pause signaled progress against inflation, the Fed emphasized that policy would remain data■dependent and further hikes could not be ruled out if inflation reaccelerated.

3. Equity markets

3.1 US equities

U.S. equities posted strong returns in Q2 2023. The S&P; 500 rose by roughly 8.7% during the quarter while the Nasdaq Composite outperformed with a double■digit quarterly gain driven by large■cap technology names and megacap leadership.

3.2 International equities

Developed international markets delivered positive but more modest returns versus the U.S. Emerging markets were mixed, influenced by China reopening dynamics, commodity swings, and regional monetary policy differences.

4. Fixed income & credit

4.1 Rates and yields

The U.S. 10■year Treasury yield moved within a modest range during Q2 2023, finishing the quarter near the mid■3% area (monthly averages: April ~3.46%, May ~3.57%, June ~3.75%). The relative stability in yields limited capital losses for shorter duration strategies but longer■duration bond indices experienced small negative returns.

4.2 Credit and spreads

Credit spreads tightened slightly as risk sentiment improved, although pockets of weakness remained in lower■quality credits. Bank earnings and regional banking stress from earlier in 2023 remained a watch item for credit investors.

5. Commodities & FX

5.1 Commodities

Crude oil softened through Q2 2023 (NEPC and industry summaries noted a decline ~6–7% in the quarter), reflecting demand concerns and periodic supply adjustments. Gold acted as a relative safe haven, finishing the quarter roughly flat to slightly higher.

5.2 FX

The US dollar showed periods of strength and weakness in Q2 2023 as markets digested growth differentials and central■bank positioning. Currency moves were an important driver of international returns for USD■based investors.

6. Portfolio performance — Trillion Wealths (sample)

Note: below are sample, illustrative performance metrics for commonly used model portfolios. Replace these illustrative figures with Trillion Wealths' actual account-level data for client reporting.

Model	Q2 2023 (%)	YTD 2023 (%)	Notes
Growth (60/40 biased to equities)	9.8	18.5	Outperformed due to tech exposure
Balanced (60/40 traditional)	5.2	11.0	Moderate performance; bonds offset equity
Conservative (30/70)	1.1	3.5	Lower volatility; fixed income cushion

6.1 Attribution highlights (sample)

- US large-cap growth (notably mega-cap tech) was the primary positive contributor to Q2 excess returns. - Long-duration fixed income detracted modestly as yields rose from April lows. - Energy exposure declined as crude prices softened, which weighed on energy sector returns relative to the broader market.

7. Risk & outlook

Near-term risks include the potential for inflation to reaccelerate, central bank policy tightening if data surprises to the upside, and geopolitical/China growth risks that could affect global cyclical sectors and commodities. Our base case is for continued rotational leadership: growth/technology remaining a near-term leader while value and cyclicals may reassert in a slower growth/stagflation surprise scenario. Investment stance (for Trillion Wealths' models): maintain diversified core equity exposure, manage duration carefully in fixed income sleeves, and use active managers or selective factor tilts to capture concentrated opportunities while controlling single-stock concentration risk.

8. Appendix & data sources

Key sources used to compile this Q2 2023 review (select): - U.S. Bureau of Labor Statistics: June 2023 CPI release (CPI-U 3.0% YoY; June 2023). - Federal Reserve: FOMC statement and press conference, June 13–14, 2023 (pause; fed funds 5.00%–5.25%). - Reuters, Morningstar, NEPC and firm commentaries summarizing Q2 2023 equity performance (S&P; 500 +8.7% in Q2 2023; Nasdaq double-digit outperformance). - YCharts / FRED / Treasury historical data for 10■year yields (monthly averages: Apr ~3.46%, May ~3.57%, Jun ~3.75%). - NEPC / industry reports on commodity moves (crude oil decline ~6–7% in Q2 2023).

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