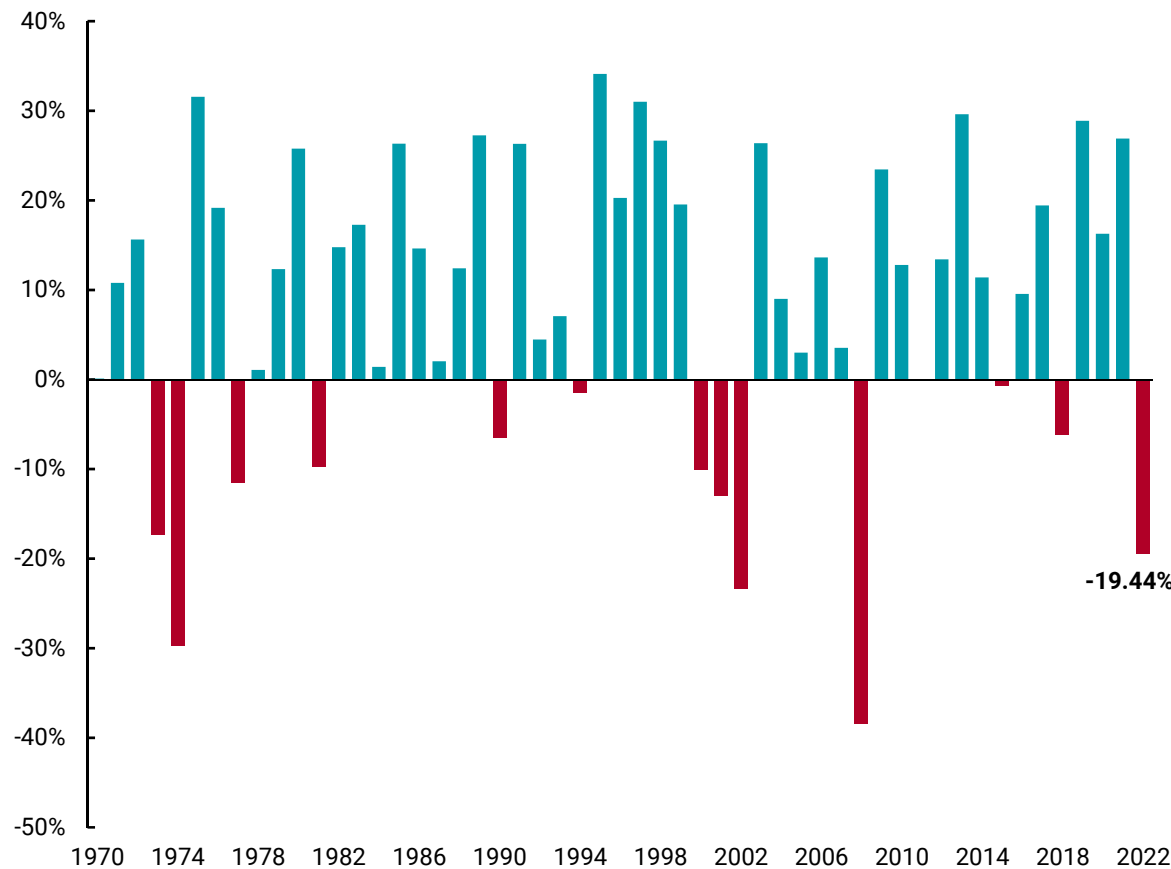


# Weekly market update



## Chart of the week (Jan. 06, 2023)

Annual Returns of the S&P 500 Index



A review of history shows how unusual it is for the S&P 500 to suffer two losing years in a row. Our chart this week goes back to 1970 and offers only two instances of this occurring. If we go back to the 1920s, the number only goes up to four times. So what should we expect as we move into 2023 after a near 20% decline in the S&P 500 in 2022?

The decline in the S&P 500 last year was driven by higher inflation which spurred the Federal Reserve to raise interest rates at the fastest pace ever. Yet as this occurred, corporate profits remained firm and economic growth, as measured by GDP, was accelerating as we closed out the year. In addition, the most significant part of the domestic economy, the U.S. consumer, is supported by a robust job market. The latest employment report showed that the headline unemployment rate fell to a cycle low of 3.5%. At the same time, while the Fed slowed their rate increase to 0.50% in Dec., our outlook is for rates to increase an additional 0.75-1% before they pause rate increases. The Fed also continues reducing its balance sheet by \$95 billion a month.

The markets don't move in calendar year increments, so the caution we feel as we enter 2023 may ease over the coming months. It is common for stocks to experience intra-year declines while still posting positive returns for the year. All this is to say, there are many moving parts to the economy, making forecasting markets very difficult. We are watching inflation measures closely as this will play a key role in how the Fed approaches interest rates. We also know rate increases operate with a lag, so we need to see the impact of the actions already taken on economic growth and profits. Interest-sensitive sectors, such as housing, have already begun to slow, and technological company lay-off announcements have picked up. We would reiterate that a recession is not a foregone conclusion.

# Weekly market update



## Commentary (Jan. 06, 2023)

### Domestic Equities

- U.S. stocks closed the first week of trading in 2023 with gains thanks to a jobs report out Friday, which hit just right on inflation and recession concerns.
- The Dec. jobs report showed that employers added more jobs than expected, a counterpoint against recession fears. Additionally, the report showed wage growth continued to cool by more than expected, a sign that rising interest rates have begun to make a dent in inflation.
- Investors are hoping to see swiftly cooling inflation and are already pricing in the chance that the Federal Reserve will begin to cut rates later in the year. However, minutes from the last policy meeting released on Wednesday showed that officials expect to keep raising rates if inflation persists.

### Bonds

- U.S. Treasuries experienced a strong start to the year, with yields falling across the curve on weaker inflation data and less hawkish comments from St. Louis Fed President Jim Bullard. On Wednesday, the Federal Reserve released the minutes from its Dec. 13-14 policy meeting, which confirmed that Fed officials continue to anticipate ongoing increases in the target range for the federal funds rate will be needed and that rate cuts in 2023 are unlikely.
- Global bonds also rallied on softer inflation data across the Eurozone, with Germany and France experiencing large drops in consumer inflation on a year-over-year and month-over-month basis for Dec.
- The amount of negative-yielding debt in the Bloomberg Global Aggregate Index fell to zero for the first time in over a decade after reaching a peak at over \$18 trillion.

### International Equities

- Positive momentum within foreign markets has continued, driven by China's reopening from stringent COVID-19 policies, a weaker dollar, and signs of easing global inflation, which have been spurring gains.
- Foreign developed markets started the year on a positive note, with decent gains seen across most European markets, while the Pacific markets, notably Japan, struggled. Inflation in the Eurozone dropped for the second consecutive month, and that trend lifted investors' hopes that the European Central Bank will slow the pace of monetary policy tightening.
- Emerging markets rallied to begin the year with strong performance from Asian stocks, while markets across Latin America and Eastern Europe faltered. Chinese stocks rose over 7% as 2023 earnings estimates were revised up despite some recent shaky economic data and challenges in managing the surge in COVID cases.

### Economics

- The Bureau of Labor Statistics (BLS) employment report for Dec. indicated that non-farm payroll increased by 223k jobs and total employment reached 159.2 million. The leisure and hospitality, and healthcare sectors continued to lead monthly increases. The labor force participation rate slightly increased to 62.3%, and the unemployment rate declined to 3.5%.
- The BLS Job Openings and Labor Turnover Summary (JOLTS) indicated job openings were 10.5 million in Nov., 54k lower than Oct.
- The Department of Labor indicated Initial claims for unemployment insurance fell to 204k (-19k) in the final week of 2022, and the 4-week moving average has declined each week since Dec. 3. Continuing claims were 1.7 million (-24k) for the week ending Dec. 24, and the 4-week moving average has been rising since Oct. 1.

## Weekly Market Update

For Week Ending January 06, 2023

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	33,630.61	1.5%	1.5%	-5.2%
S&P 500 Index	3,895.08	1.5%	1.5%	-15.7%
NASDAQ	10,569.29	1.0%	1.0%	-29.3%
S&P 400 Midcap Index	2,489.95	2.5%	2.5%	-10.1%
S&P 600 Smallcap Index	1,185.83	2.5%	2.5%	-13.9%
MSCI EAFE	6,759.75	2.7%	2.7%	-11.7%
MSCI Emerging Markets	502.52	3.4%	3.4%	-16.4%
Bloomberg US Agg	2,086.58	1.8%	1.8%	-10.3%
Bloomberg Municipal 5 Yr	472.14	0.7%	0.7%	-4.2%
Bloomberg US Corporate	3,027.43	2.0%	2.0%	-12.7%
Bloomberg Gbl Agg ex US Hdg	527.68	1.2%	1.2%	-8.2%
Bloomberg High Yield	2,234.74	2.2%	2.2%	-8.6%
MSCI US REIT Index	1,946.66	1.7%	1.7%	-22.2%
Bloomberg Commodity Index	235.86	-4.1%	-4.1%	9.6%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.50%	4.50%	0.25%
3-Month Treasury	4.58%	4.34%	4.34%	0.09%
1-Year Treasury	4.67%	4.69%	4.69%	0.41%
2-Year Treasury	4.25%	4.43%	4.43%	0.87%
5-Year Treasury	3.69%	4.00%	4.00%	1.47%
7-Year Treasury	3.63%	3.97%	3.97%	1.66%
10-Year Treasury	3.56%	3.87%	3.87%	1.72%
30-Year Treasury	3.69%	3.96%	3.96%	2.08%

### Consumer Rates

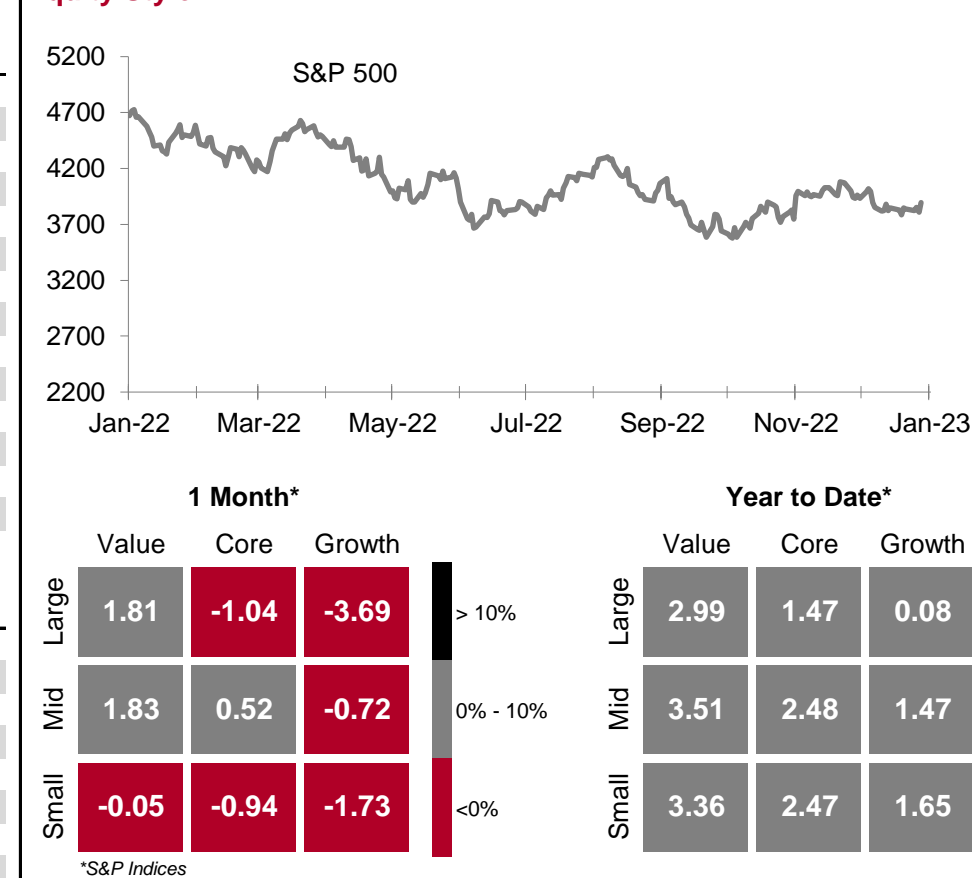
30-Year Mortgage	6.47%	6.66%	6.66%	3.43%
Prime Rate	8.25%	7.75%	4.00%	4.00%
3-Month LIBOR	4.81%	4.77%	4.77%	0.23%

### Commodities

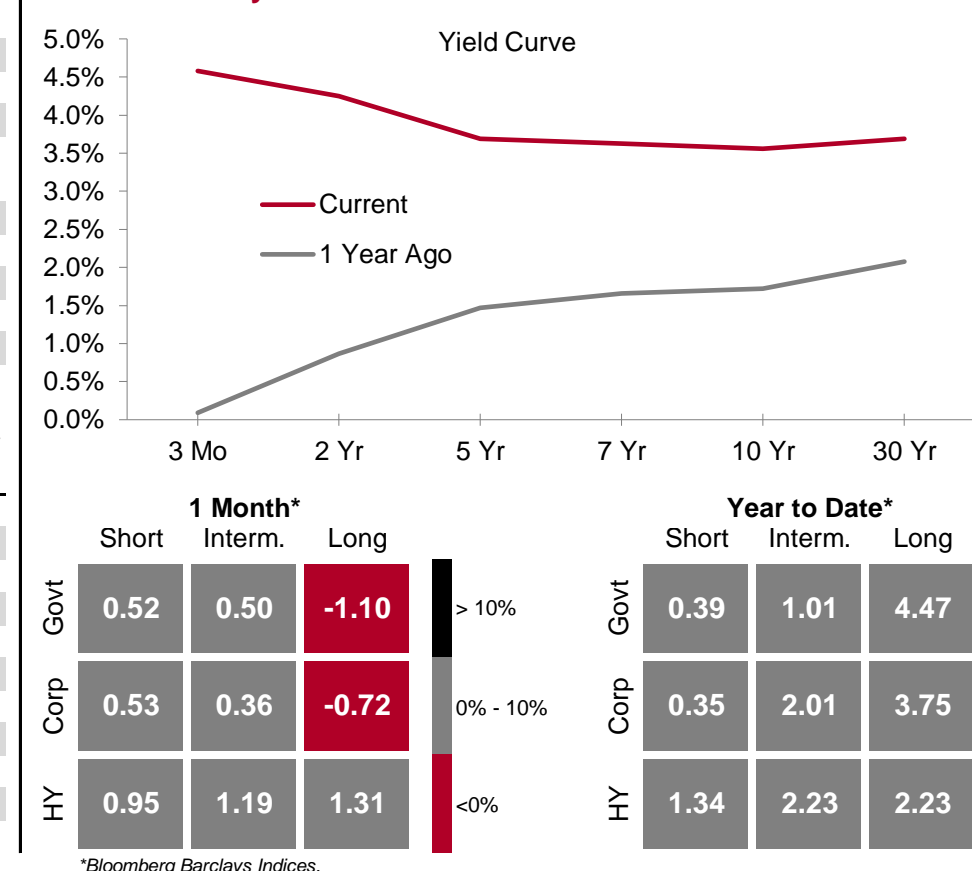
Gold	1,865.69	1,824.02	1,824.02	1,791.16
Crude Oil (WTI)	73.77	80.26	80.26	71.74
Gasoline	3.20	3.20	3.20	3.38
Natural Gas	3.71	4.48	4.48	4.06
Copper	391.10	381.05	381.05	430.85

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	17.22	19.40	4.53	2.22
S&P 500	17.22	18.86	3.92	1.77
S&P 500 Value	16.36	18.44	2.74	2.12
S&P 500 Growth	18.12	19.27	6.63	1.44
NASDAQ	16.43	16.36	3.82	2.17
S&P Midcap 400	13.95	14.51	2.28	1.76
S&P Smallcap 600	13.48	14.54	1.78	1.54
MSCI EAFE	12.49	13.96	1.73	3.47
MSCI Emerging Markets	12.03	11.04	1.56	3.63

### Equity Style



### Fixed Income Style



### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	7.1%	6.8%
CPI Core Inflation	6.0%	4.9%
Personal Consumption Exp (PCE) Core	4.7%	4.8%
<b>Jobs</b>		
Unemployment Rate (U3)	3.5%	3.9%
Broader Unemployment Rate (U6)	6.5%	7.3%
JOLT Survey (in millions)	10.46	10.92
Jobless Claims (000's)	204	224
Change in Non-Farm Payroll (000's)	223	588
Average Hourly Earnings (Y/Y % Change)	4.6%	4.9%
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	108.3	115.2
Consumer Spending (\$ Bil)	17,828	16,558
Consumer Credit (\$ Bil)	4,729	4,376
Retail Sales (\$ Bil)	689	648
<b>Housing</b>		
Housing Starts (000's)	1,427	1,706
Case-Shiller Home Price Index	298.99	273.69
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	20,055	19,673
Quarter over Quarter Change	3.2%	2.7%
Year Over Year Change	1.9%	5.0%
ISM Manufacturing	48.40	58.80
Capacity Utilization	79.66	78.98
Markit US Composite PMI	45.00	57.00
<b>U.S. General</b>		
Leading Economic Indicators	113.5	118.8
Trade Weighted Dollar Index	121.8	115.3
EUR / USD	1.06	1.13
JPY / USD	131.95	115.83
CAD / USD	0.74	0.79
AUD / USD	0.69	0.72

### S&P 500 Sector Returns

	1 Month	YTD
Communication Services	-0.71%	3.75%
Materials	-0.61%	3.45%
Financials	2.43%	3.40%
Industrials	1.89%	2.72%
Real Estate	0.55%	2.49%
Consumer Discretionary	-4.70%	2.25%
Consumer Staples	0.67%	1.76%
Utilities	0.69%	0.70%
Information Technology	-4.13%	0.23%
Energy	3.76%	0.00%
Health Care	-0.86%	-0.17%

Source: Bloomberg

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