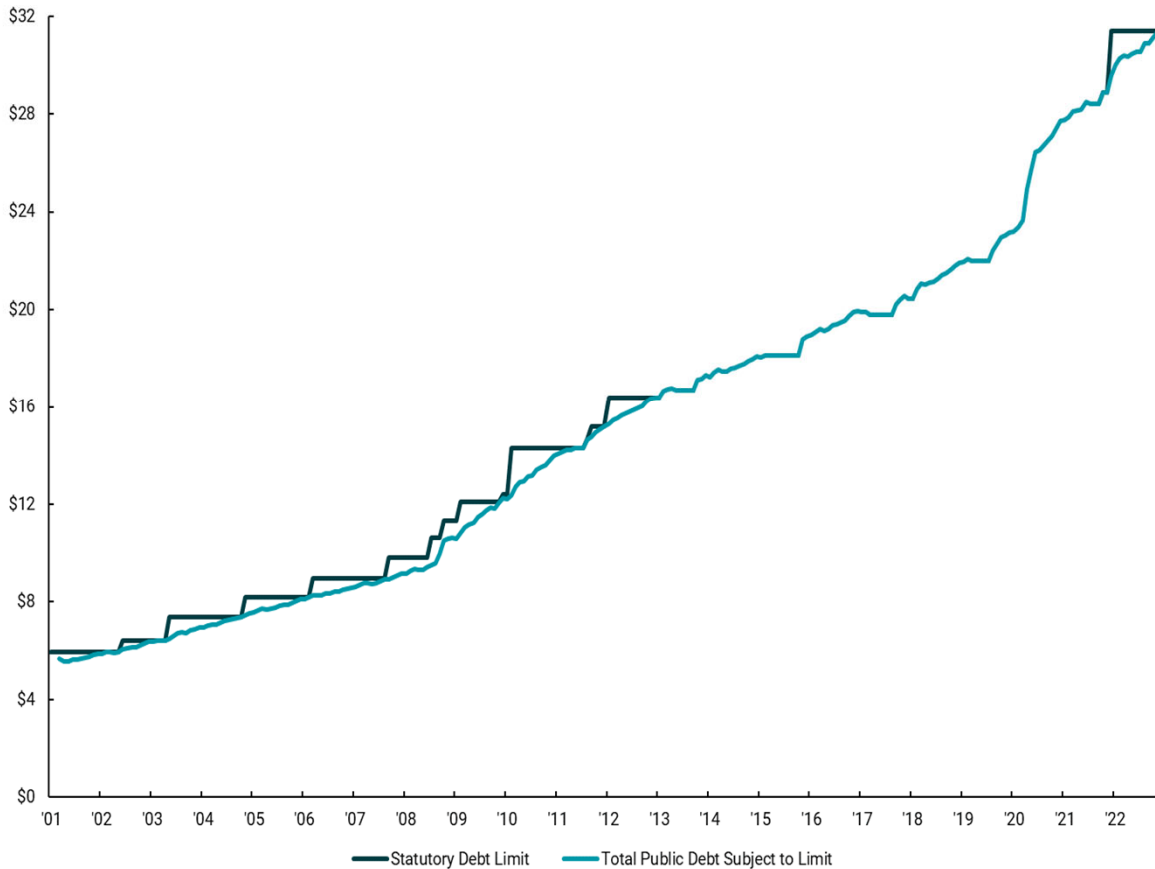


Weekly market update



Chart of the week (Jan. 27, 2023)

US Federal Debt Limit
(Treasury Dept., \$Tn)



Last week, Treasury Secretary Janet Yellen announced that the U.S. had hit its debt ceiling of \$31.4 trillion. The debt ceiling is the statutory limit for the federal government. In consumer terms, it is our country's credit limit.

Ongoing annual budget deficits accumulate to equal the total amount of debt outstanding. Unlike most state governments, the federal government does not have to have a balanced budget. In fact, the last time the budget was balanced, where receipts equaled expenditures, was in 2001 during the Clinton administration. That period of fiscal discipline did not last long.

Periods of economic stress – such as the Great Recession in 2008-2009 and, most recently, the global pandemic - generally result in increased spending and more rapid debt accumulation. In addition to Congress setting a dollar limit, they can pass an ability for the government to borrow for a certain time frame. These periods are represented on the graph where there is no solid dark line.

There are some factors that could mean the current debt ceiling negotiations will be the most contentious since the Obama administration in 2011. First, as then, we have a split government, with the Republicans holding a narrow majority in the House and the Democrats with a narrow majority in the Senate. Second, as a percentage of GDP, pandemic-spurred government spending grew to levels not seen since WWII. And while this percentage has declined from its peak, it remains at levels far above longer-term averages. Finally, the cost of debt has increased rapidly as the Federal Reserve has raised interest rates in response to inflation.

All of this points to what could be an extended period of debate on spending and taxes. We anticipate an agreement will be reached, but it could be bumpy between now and then.

Weekly market update



Commentary (Jan. 27, 2023)

Domestic Equities

- U.S. stocks rose throughout the week as investors sifted through mixed economic data and fourth-quarter earnings reports looking for hopeful news on the economy's direction.
- About a quarter of S&P 500 companies have reported, with 70% beating expectations. Tesla shares surged on record profits, and American Express shares rose when it announced an increased dividend. Other companies, such as Intel, reported quarterly losses. Hasbro, IBM, 3M and Dow joined the wave of companies announcing layoffs.
- Data out Thursday showed U.S. economic growth slowed less than expected, and initial jobless claims also declined. Data out Friday showed that core personal consumption expenditures (PCE) rose at the slowest rate since late 2021. This is a sign that inflation is cooling, and the Fed can continue to slow the pace of rate increases.

Bonds

- U.S. Treasury bonds were range-bound as investors await the Federal Reserve's interest rate decision next week.
- Credit market returns were mixed, with convertible bonds continuing to outperform. Hybrid securities, particularly preferred stocks, have been the top-performing fixed-income sector in 2023, with the S&P Preferred Stock Index posting a 10% return year-to-date through Friday.
- The recent rally in risk assets has allowed lower-quality borrows to return to the market, with approximately \$3 billion in deals pricing this week. Junk bond sales are off to one of the strongest starts to a new year in over three years, with issuance around \$15 billion so far.
- On Wednesday, the Bank of Canada hiked its key policy rate by 0.25% to 4.50% but signaled they would pause their rate hiking cycle for at least the next few months.

International Equities

- Foreign stock markets have outperformed U.S. stocks for the year as investors perceive that the U.S. economy is weakening while the growth picture in Europe, Asia and various emerging markets has improved.
- Foreign developed markets moved higher with markets across the Pacific Rim region showing the most strength. This week, European markets have been sustained by data showing improved German business sentiment and an uptick in eurozone services and manufacturing activity, prompting optimism that a eurozone recession could be avoided.
- Emerging market stocks rallied for the fifth straight week with strong gains seen across markets in Latin America and Asia. Investors are feeling more confident about the outlook in emerging markets due to investor speculation that global central banks are near the peaks in their hiking cycles, creating more positive momentum.

Economics

- The Bureau of Economic Analysis (BEA) reported that annualized real GDP increased 2.90% in the fourth quarter. Consumer spending, government spending, non-residential fixed investments and inventory increases all added to real GDP in the quarter.
- Additionally, the BEA reported that personal income increased 0.20%, and consumer spending declined 0.20% in Dec. Reduced consumer spending on durable and non-durable goods caused the decline, despite increased spending on services. The savings rate rose to 3.40%.
- The personal consumption expenditures (PCE) price index, the Federal Reserve's preferred measure of inflation, was 5.0% in Dec., a decline of 0.50% from Nov. Core PCE was 4.40%, a decline of 0.30%.
- The Jan. jobs report will be released on Friday.

Weekly Market Update

For Week Ending January 27, 2023

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,978.08	1.8%	2.6%	1.6%
S&P 500 Index	4,070.56	2.5%	6.1%	-4.4%
NASDAQ	11,621.71	4.3%	11.1%	-12.2%
S&P 400 Midcap Index	2,619.47	2.4%	7.9%	5.2%
S&P 600 Smallcap Index	1,248.59	2.1%	7.9%	1.3%
MSCI EAFE	7,146.30	1.4%	8.6%	-1.6%
MSCI Emerging Markets	534.44	1.4%	10.0%	-9.2%
Bloomberg US Agg	2,109.97	0.1%	3.0%	-8.4%
Bloomberg Municipal 5 Yr	477.95	0.0%	2.0%	-1.3%
Bloomberg US Corporate	3,080.25	0.2%	3.8%	-9.7%
Bloomberg Gbl Agg ex US Hdg	530.94	-0.2%	1.8%	-7.4%
Bloomberg High Yield	2,271.55	0.4%	3.9%	-5.4%
MSCI US REIT Index	2,103.02	3.6%	9.8%	-8.2%
Bloomberg Commodity Index	244.15	-0.4%	-0.7%	7.6%

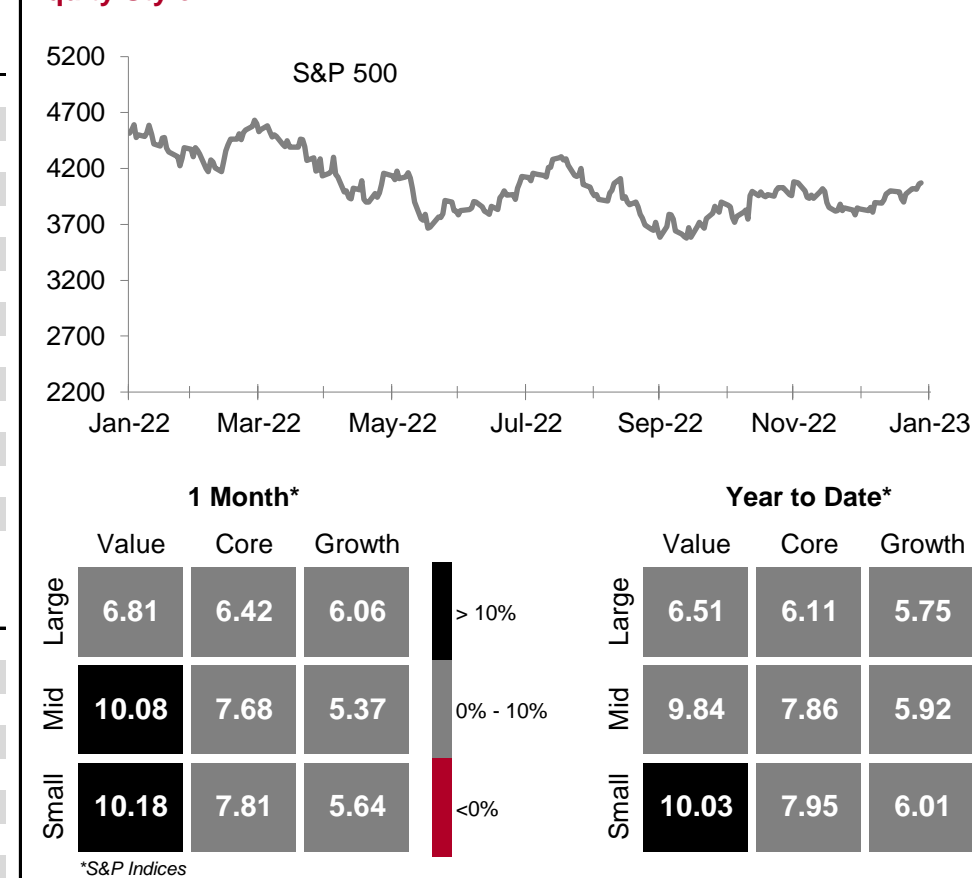
	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.50%	4.50%	4.50%	0.25%
3-Month Treasury	4.66%	4.63%	4.34%	0.19%
1-Year Treasury	4.64%	4.65%	4.69%	0.74%
2-Year Treasury	4.20%	4.17%	4.43%	1.19%
5-Year Treasury	3.61%	3.56%	4.00%	1.66%
7-Year Treasury	3.56%	3.51%	3.97%	1.77%
10-Year Treasury	3.50%	3.48%	3.87%	1.80%
30-Year Treasury	3.62%	3.65%	3.96%	2.09%

	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.44%	6.47%	6.66%	3.78%
Prime Rate	8.25%	8.25%	8.25%	4.00%
3-Month LIBOR	4.83%	4.82%	4.77%	0.30%

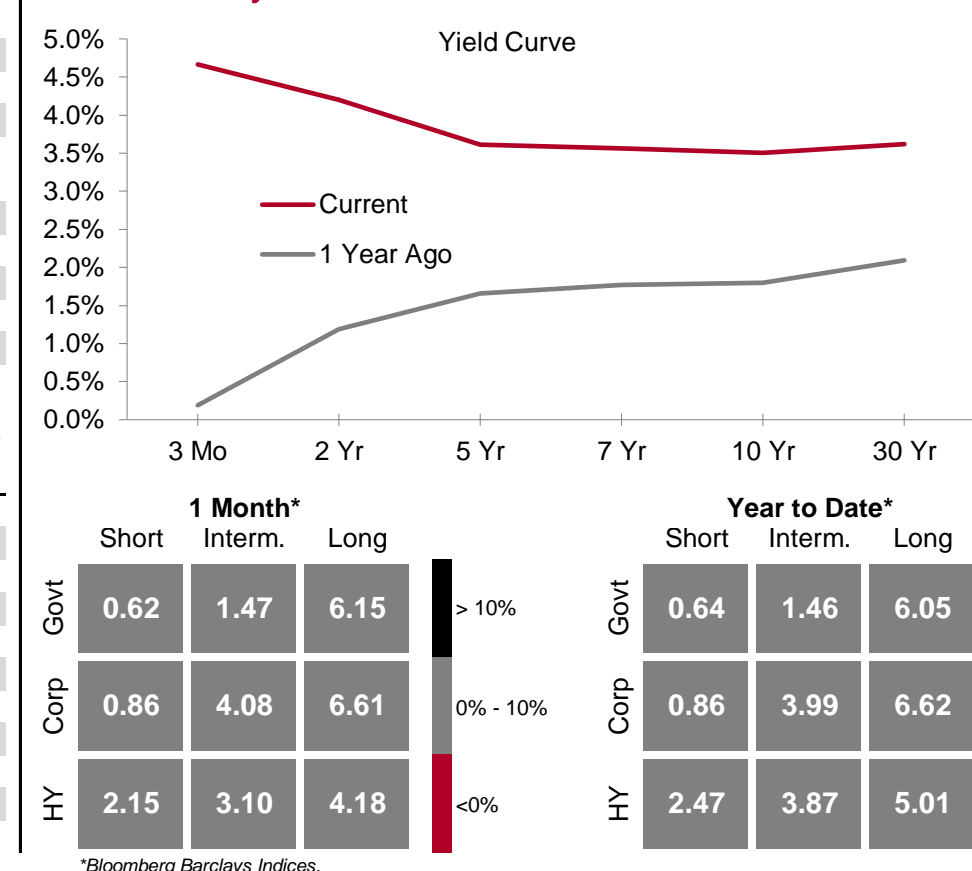
	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	1,928.04	1,926.08	1,824.02	1,797.43
Crude Oil (WTI)	79.68	81.64	80.26	75.76
Gasoline	3.52	3.42	3.20	3.42
Natural Gas	2.85	3.04	4.48	4.14
Copper	4.22	4.25	3.81	4.36

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.85	19.97	4.44	2.19
S&P 500	18.35	19.72	4.05	1.70
S&P 500 Value	17.24	19.16	2.80	2.06
S&P 500 Growth	19.50	20.27	6.90	1.37
NASDAQ	16.99	16.50	3.80	2.14
S&P Midcap 400	14.99	15.22	2.38	1.66
S&P Smallcap 600	14.50	15.34	1.88	1.46
MSCI EAFE	12.99	14.79	1.82	3.35
MSCI Emerging Markets	12.70	11.67	1.65	2.96

Equity Style



Fixed Income Style



Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	6.5%	7.0%
CPI Core Inflation	5.7%	5.5%
Personal Consumption Exp (PCE) Core	4.4%	5.0%
Jobs		
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)	186	222
Change in Non-Farm Payroll (000's)	223	588
Average Hourly Earnings (Y/Y % Change)	4.6%	4.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	108.3	115.2
Consumer Spending (\$ Bil)	17,737	16,522
Consumer Credit (\$ Bil)	4,757	4,408
Retail Sales (\$ Bil)	677	639
Housing		
Housing Starts (000's)	1,382	1,768
Case-Shiller Home Price Index	298.99	273.69
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	20,198	20,006
Quarter over Quarter Change	2.9%	7.0%
Year Over Year Change	1.0%	5.7%
ISM Manufacturing	48.40	58.60
Capacity Utilization	78.75	78.74
Markit US Composite PMI	46.60	51.10
U.S. General		
Leading Economic Indicators	110.5	117.5
Trade Weighted Dollar Index	119.7	114.5
EUR / USD	1.09	1.11
JPY / USD	129.88	115.37
CAD / USD	0.75	0.78
AUD / USD	0.71	0.70

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	16.32%	15.04%
Consumer Discretionary	16.10%	14.48%
Information Technology	10.78%	9.87%
Real Estate	8.81%	9.20%
Materials	6.14%	7.36%
Financials	6.71%	5.93%
Energy	3.70%	4.26%
Industrials	2.46%	2.95%
Consumer Staples	-3.34%	-2.07%
Health Care	-2.13%	-2.22%
Utilities	-3.46%	-2.29%

Source: Bloomberg

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