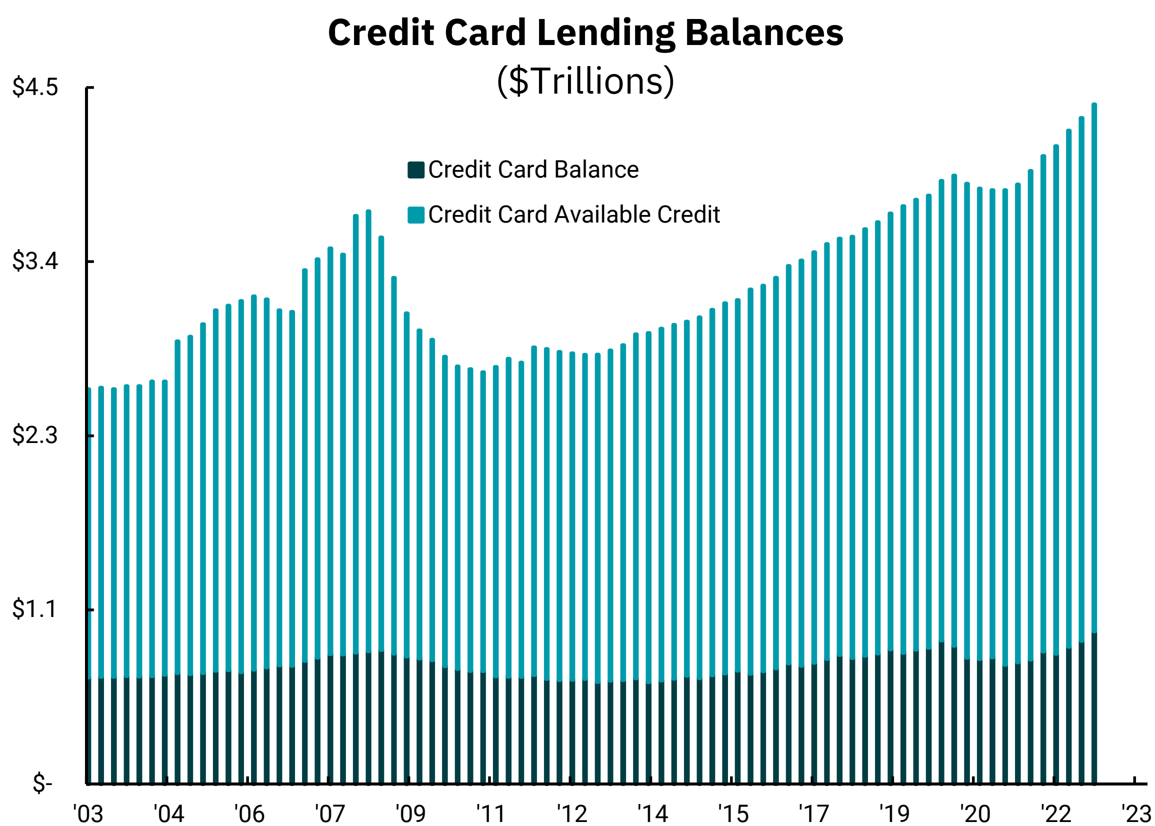
INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Mar. 03, 2023)



U.S. consumers have been adding to their debt levels at an accelerated rate. For a brief period during the early days of the pandemic, we saw overall debt levels, including credit cards, decline as consumer pocketbooks were filled with multiple rounds of fiscal stimulus. It did not take long, though, for spending to re-assert itself as a favorite consumer pastime.

This week's chart focuses on credit card balances which have now reached an all-time high. There are a couple of interesting highlights from this data, which goes back to 2003. During periods of economic stress, like 2008-2009 and again early in the pandemic, banks tend to cut back credit limits. Some of you may remember this happening to you. But as the economy recovers and grows, credit limits are expanded and are now at a record level.

Based on the ratio of balances versus available credit, we do not see a "tapped-out" consumer. That is, unlike our government which has hit its "credit limit," consumers still have lots of credit card borrowing power. While this could act as support for economic growth, we have to realize the cost of this credit is now much higher. As the Fed has increased interest rates, the average rate on credit card balances is nearly 20%. And we have seen delinquencies rise among borrowers with lower credit scores.

In sum, while having access to greater borrowing can be a good thing, actually using this access can come at a high cost.

Source: Strategas

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Commentary (Mar. 03, 2023)

Domestic Equities

- U.S. stocks ended the week positive after ebbing and flowing modestly, looking for signs of peaking inflation and clues on how far the Fed will go to curb it.
- Cryptocurrencies saw sharp losses this week as several crypto companies cut ties with their bank Silvergate Capital, whose financial troubles threaten the industry's ability to fulfill basic transactions. This is the latest blow to the credibility of crypto as a viable currency. The crypto market was once worth $3 trillion but is closer to $1 trillion today.
- Investors have been pulling money out of U.S. equity mutual funds for the past nine weeks. This is the longest outflow streak since 2016. Money is flowing into money market and bond funds which now offer the highest level of income since 2007.

Bonds

- U.S. Treasury yields initially moved higher on stronger than expected U.S. labor data and eurozone inflation figures but rallied into week-end. On Thursday, U.S. Treasury yields made new highs, with the entire curve closing above 4%. However, this was short-lived, with rates rallying on Friday as traders interpreted Atlanta Fed President Raphael Bostic's comments as dovish.
- U.S. inflation-protected securities continue to outperform nominal U.S. Treasuries, with higher inflation expectations driving breakevens higher, especially at the short end. The 1-year U.S. breakeven inflation rate closed the week above 3.5%.
- Credit markets were positive for the week, with high-yield bonds outperforming investment-grade corporates. Across the high-yield market, CCC and below rated credits posted the strongest returns.

International Equities

- The global economy is showing renewed strength as new economic data points to a widespread revival in growth despite rising borrowing costs and elevated energy and food prices, a sign that central banks may need longer than anticipated to bring inflation under control.
- Developed markets rebounded this week, with most European and Pacific Rim markets posting gains. Across the eurozone, headline inflation eased slightly to 8.5%, but core inflation increased to 5.6%. The data suggests that inflation is taking a while to come down significantly, raising the probability of further rate hikes in the future.
- Emerging markets rebounded after four consecutive weeks of losses. Markets in Asia and Eastern Europe delivered the largest gains. China's economy is showing signs of strength as the manufacturing purchasing manager's index rose to 52.6, the highest reading since April 2012.

Economics

- The Census Bureau reported new orders of durable goods declined 4.5% in January, reversing a 5.1% gain in December. This is the largest monthly decline in new orders since April 2020.
- The Bureau of Economic Analysis (BEA) revised fourth-quarter productivity to 1.7%, down from the advance estimate of 3.0%.
- The BEA also reported total light vehicle sales declined 6.2% in February after rising 18.7% in January as seasonally adjusted annualized rates.
- The Bureau of Labor Statistics reported initial claims for unemployment insurance for the week ending Feb. 25 were 190k, and continuing claims were 1.7 million for the week ending Feb. 18.
- The Job Openings and Labor Turnover Summary (JOLTS) will be released on Wednesday and the February jobs report will be released on Friday.

Weekly Market Update

For Week Ending March 03, 2023

Markets

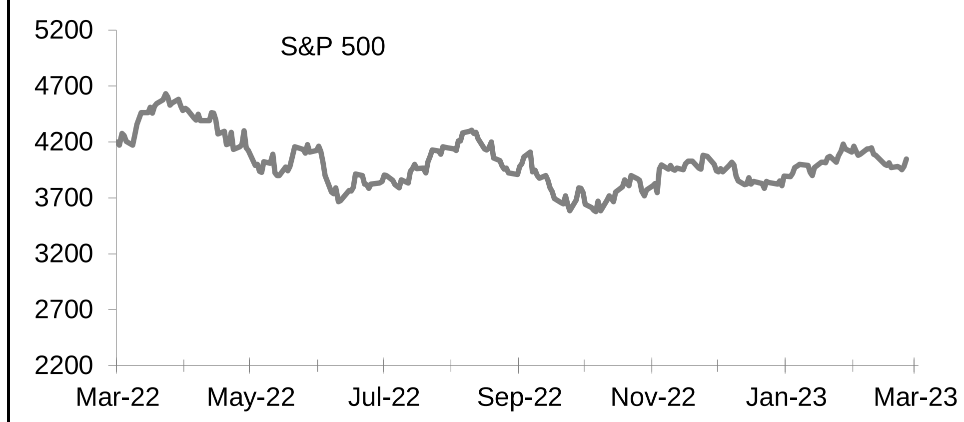
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,390.97	1.9%	1.2%	0.9%
S&P 500 Index	4,045.64	2.0%	5.7%	-5.7%
NASDAQ	11,689.01	2.6%	11.9%	-12.9%
S&P 400 Midcap Index	2,648.27	1.9%	9.2%	1.3%
S&P 600 Smallcap Index	1,269.75	1.8%	9.9%	-2.0%
MSCI EAFE	7,029.19	1.8%	6.8%	1.0%
MSCI Emerging Markets	502.71	1.7%	3.4%	-13.3%
Bloomberg US Agg	2,054.52	-0.9%	0.2%	-9.1%
Bloomberg Municipal 5 Yr	468.48	-0.1%	0.0%	-2.6%
Bloomberg US Corporate	2,995.30	-1.0%	0.5%	-9.5%
Bloomberg Glb Agg ex US Hdg	524.53	-0.3%	1.0%	-6.5%
Bloomberg High Yield	2,247.02	-0.2%	2.0%	-5.0%
MSCI US REIT Index	2,044.07	1.2%	6.8%	-13.3%
Bloomberg Commodity Index	238.01	2.7%	-3.2%	-9.4%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	4.75%	4.75%	4.50%	0.25%
3-Month Treasury	4.84%	4.78%	4.34%	0.32%
1-Year Treasury	5.00%	4.99%	4.69%	1.03%
2-Year Treasury	4.86%	4.81%	4.43%	1.53%
5-Year Treasury	4.25%	4.22%	4.00%	1.73%
7-Year Treasury	4.14%	4.11%	3.97%	1.80%
10-Year Treasury	3.95%	3.94%	3.87%	1.84%
30-Year Treasury	3.88%	3.93%	3.96%	2.22%
Consumer Rates				
30-Year Mortgage	7.08%	7.02%	6.66%	4.21%
Prime Rate	8.50%	8.50%	8.25%	4.00%
3-Month LIBOR	4.98%	4.95%	4.77%	0.58%
Commodities				
Gold	1,856.48	1,811.04	1,824.02	1,935.95
Crude Oil (WTI)	79.68	76.32	80.26	84.43
Gasoline	3.46	3.49	3.20	3.70
Natural Gas	3.01	2.55	4.48	3.53
Copper	4.07	3.95	3.81	4.69

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.64	19.03	4.45	2.22
S&P 500	18.37	18.15	3.99	1.74
S&P 500 Value	17.05	17.38	2.76	2.11
S&P 500 Growth	19.79	18.91	6.79	1.40
NASDAQ	16.91	15.42	3.83	2.34
S&P Midcap 400	15.51	13.26	2.38	1.99
S&P Smallcap 600	15.10	14.14	1.89	1.73
MSCI EAFE	13.12	13.52	1.72	3.38
MSCI Emerging Markets	12.45	10.59	1.50	3.72

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-2.48	-2.01	-1.58
Mid	-3.71	-2.06	-0.39
Small	-3.31	-3.03	-2.75

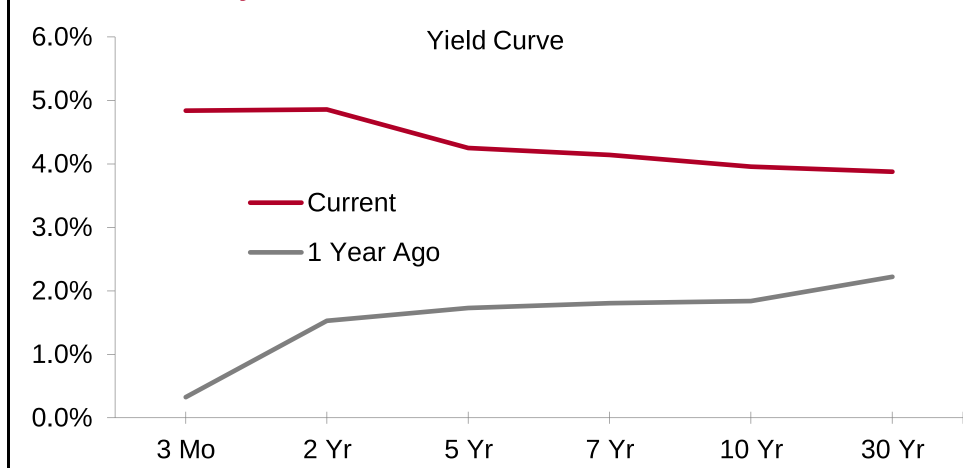
> 10%
0% - 10%
<0%

*S&P Indices

Year to Date*

	Value	Core	Growth
Large	5.74	5.68	5.63
Mid	9.95	9.23	8.49
Small	12.14	9.95	7.88

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	-0.72	-1.95	-5.48
Corp	-0.59	-3.40	-5.64
HY	0.02	-1.59	-3.00

> 10%
0% - 10%
<0%

*Bloomberg Indices.

Year to Date*

	Short	Interm.	Long
Govt	-0.15	-0.36	0.71
Corp	0.34	0.84	0.84
HY	2.30	2.01	1.67

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	6.4%	7.5%
CPI Core Inflation	5.6%	6.0%
Personal Consumption Exp (PCE) Core	4.7%	5.2%
Jobs		
Unemployment Rate (U3)	3.4%	4.0%
Broader Unemployment Rate (U6)	6.6%	7.1%
JOLT Survey (in millions)	11.01	11.45
Jobless Claims (000's)	190	182
Change in Non-Farm Payroll (000's)	517	364
Average Hourly Earnings (Y/Y % Change)	4.4%	5.7%
Consumer & Spending		
Consumer Confidence (Conf Board)	102.9	105.7
Consumer Spending ($ Bil)	18,051	16,726
Consumer Credit ($ Bil)	4,776	4,431
Retail Sales ($ Bil)	697	655
Housing		
Housing Starts (000's)	1,309	1,666
Case-Shiller Home Price Index	294.68	278.64
U.S. Productivity		
Real Gross Domestic Product ($ Bil)	20,188	20,006
Quarter over Quarter Change	2.7%	7.0%
Year Over Year Change	0.9%	5.7%
ISM Manufacturing	47.70	58.40
Capacity Utilization	78.28	78.94
Markit US Composite PMI	50.10	55.90
U.S. General		
Leading Economic Indicators	110.3	117.2
Trade Weighted Dollar Index	121.1	116.0
EUR / USD	1.06	1.11
JPY / USD	135.87	115.46
CAD / USD	0.74	0.79
AUD / USD	0.68	0.73

S&P 500 Sector Returns

	1 Month	YTD
Consumer Discretionary	-3.31%	13.19%
Information Technology	-1.24%	12.59%
Communication Services	-7.54%	11.98%
Materials	1.44%	8.94%
Industrials	0.69%	5.44%
Financials	-1.77%	5.08%
Real Estate	-5.43%	4.83%
Energy	1.46%	-0.46%
Consumer Staples	-1.35%	-2.78%
Health Care	-2.67%	-4.93%
Utilities	-2.39%	-6.01%