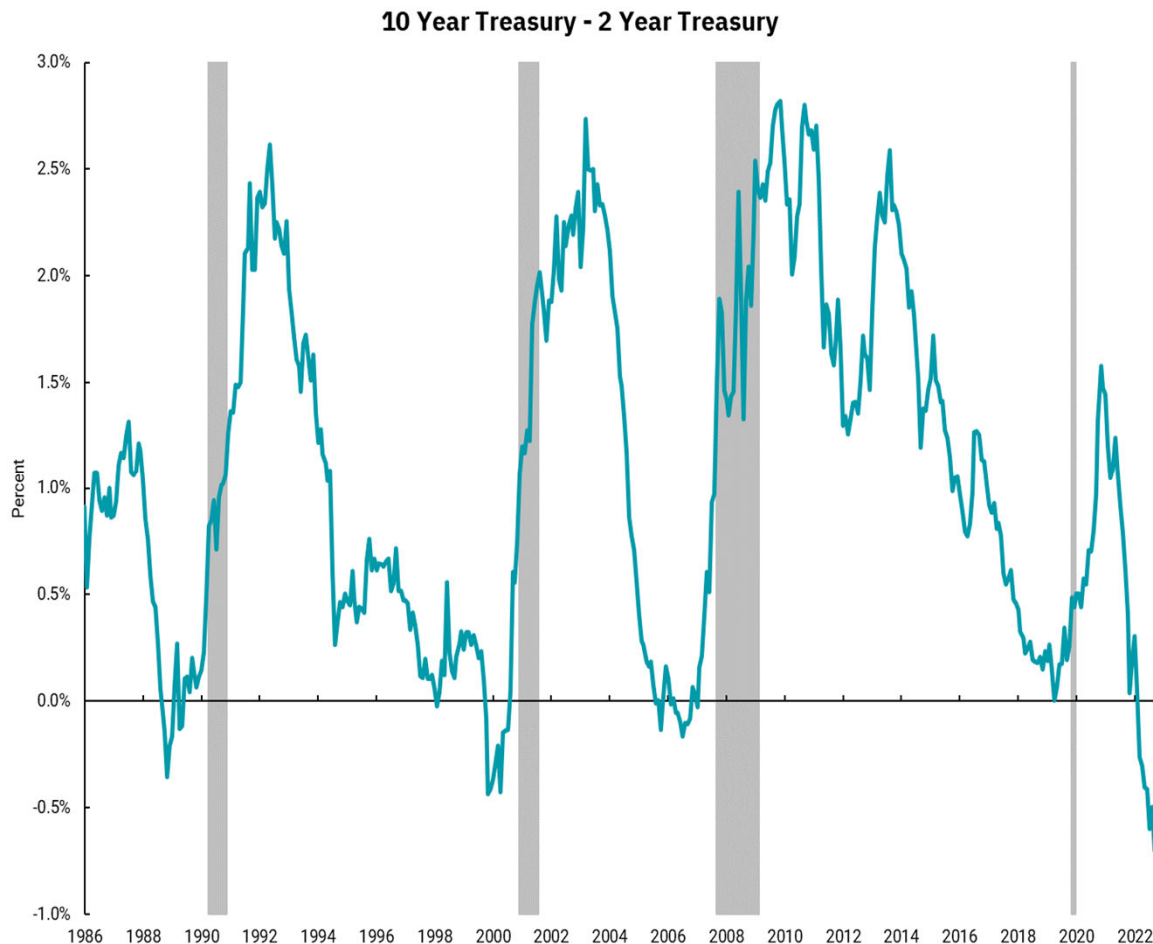


# Weekly market update



## Chart of the week (Mar. 10, 2023)



Much has been written about the inversion of the two-year treasury yield to the 10-year treasury yield. A look at our chart shows a couple of reasons why. First, it is unusual. Since 1986 (or any period of time), the amount of times that two-year notes have yielded more than tens is a short list. Second, past inversions preceded a gray bar on the chart. These gray bars represent economic recessions, so any inversion is worth noting.

Looking more closely, we can see a couple of other items of importance. The current inversion has been in place for a while but has moved to levels much deeper than we have seen since 1986. We have to go back to the late 1970s and early 1980s to see inversions of this magnitude, and those were periods of significant inflationary pressures and economic volatility.

There is another pattern illustrated in the chart, too. Note that the yield curve typically un-inverts BEFORE the onset of the recession that follows the inversion. This might very well mean the potential start of a recession after this inversion could be months away. Overall positive economic data on growth and jobs could support this view.

Past inversions show that, while a recession was not imminent, they have been a strong signal from the bond market that weaker growth was in the offing. The depth of the inversion does not correlate with the depth of the recession, but an inversion of the magnitude and duration of the current one seems to warrant a cautious outlook.

# Weekly market update



## Commentary (Mar. 10, 2023)

### Domestic Equities

- U.S. stocks sold off sharply this week on continued concerns over inflation and rising worry over the health of bank balance sheets.
- The jobs report out Friday morning contained mixed signals on inflation. The U.S. added more jobs than expected in February, leading investors to believe rates will be high for longer. Still, the unemployment rate ticked higher, and wage growth, a major contributor to inflation, came in below expectations, indicating higher rates are starting to have an impact.
- Bank stocks lost billions in market capitalization beginning Wednesday when Silicon Valley Bank scrambled to raise capital to meet withdrawals and was put into FDIC receivership on Friday. Rising rates mean falling bond prices, so banks with large quantities of bonds are sitting on massive unrealized losses.

### Bonds

- U.S. Treasury yields initially moved higher with the market starting to price in a 0.50% hike for March following Fed Chair Jerome Powell's testimony to the Senate Banking Committee. However, this trend reversed on Thursday and Friday, with yields collapsing after mixed employment data and heavy losses at some regional banks resulted in de-risking and flight to quality across U.S. markets.
- The broad investment grade market was positive for the week as measured by Bloomberg U.S. Aggregate Bond Index, with longer-duration U.S. Treasuries and corporate bonds being most additive to performance.
- Across corporate credit, spreads rose for both investment-grade corporate bonds and high-yield.
- In international markets, the Bank of Canada (BoC) announced on Wednesday that it would hold its policy rate at 4.5%.

### International Equities

- Global investors remain anxious that forecasts for greater monetary tightening by the world's central banks are increasing the danger of a global recession as policymakers struggle to bring inflation under control, which is weighing on investor sentiment.
- Foreign developed market stocks faced headwinds, with most European and Pacific Rim markets falling. European financials tumbled as investors became worried that signs of trouble in the U.S. banking sector could lead to broader risks and impact European banks.
- Emerging markets reversed last week's gains with broad weakness seen across Asian markets, while select markets in Latin America performed better. Chinese stocks faltered due to mixed economic data and a renewed push to strengthen its regulatory oversight of the financial markets while preparing to counter U.S. technology curbs.

### Economics

- The Bureau of Labor Statistics' (BLS) February jobs report indicated total non-farm payroll increased by 311,000, a lower amount of job growth than January's increase of 504,000. Most of the job gains in February were in the leisure and hospitality, and retail trade sectors. Additionally, the BLS reported the unemployment rate was 3.6%, an increase of 0.20% due to new entrants to the labor force. The labor force participation rate increased by 0.10% to 62.5%.
- The January Job Openings and Labor Turnover Summary (JOLTS) report indicated that job openings declined by 410,000 to 10.8 million. Most of the decrease in job openings was concentrated in the construction industry, which fell by 240,000, the largest monthly decline in the sector since measurement began in 2001.

## Weekly Market Update

For Week Ending March 10, 2023

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	31,909.64	-4.3%	-3.2%	-1.7%
S&P 500 Index	3,861.59	-4.5%	0.9%	-7.8%
NASDAQ	11,138.89	-4.7%	6.6%	-14.4%
S&P 400 Midcap Index	2,452.59	-7.4%	1.2%	-4.0%
S&P 600 Smallcap Index	1,172.34	-7.6%	1.6%	-8.3%
MSCI EAFE	6,975.46	-0.7%	6.0%	2.7%
MSCI Emerging Markets	486.18	-3.3%	0.0%	-10.9%
Bloomberg US Agg	2,078.53	1.2%	1.5%	-7.4%
Bloomberg Municipal 5 Yr	470.94	0.5%	0.5%	-1.5%
Bloomberg US Corporate	3,018.32	0.8%	1.7%	-7.0%
Bloomberg Gbl Agg ex US Hdq	530.14	1.1%	1.7%	-5.3%
Bloomberg High Yield	2,226.85	-0.9%	1.9%	-4.5%
MSCI US REIT Index	1,893.29	-7.4%	-1.1%	-19.8%
Bloomberg Commodity Index	229.97	-3.4%	-6.5%	-14.0%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.75%	4.75%	4.50%	0.25%
3-Month Treasury	4.87%	4.84%	4.34%	0.36%
1-Year Treasury	4.81%	5.00%	4.69%	1.11%
2-Year Treasury	4.59%	4.86%	4.43%	1.70%
5-Year Treasury	3.96%	4.25%	4.00%	1.92%
7-Year Treasury	3.86%	4.14%	3.97%	1.98%
10-Year Treasury	3.70%	3.95%	3.87%	1.99%
30-Year Treasury	3.71%	3.88%	3.96%	2.37%

### Consumer Rates

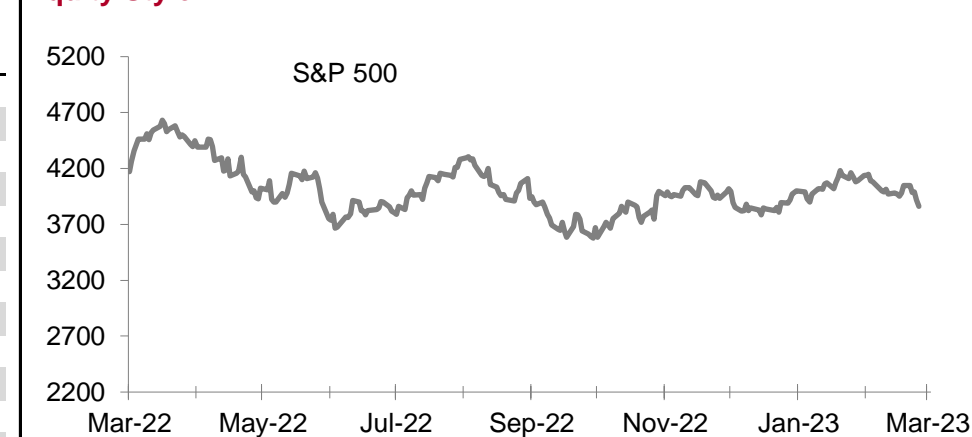
30-Year Mortgage	7.02%	7.08%	6.66%	4.32%
Prime Rate	8.50%	8.50%	8.25%	4.00%
3-Month LIBOR	5.14%	4.98%	4.77%	0.80%

### Commodities

Gold	1,868.26	1,856.48	1,824.02	1,996.98
Crude Oil (WTI)	76.68	79.68	80.26	82.91
Gasoline	3.51	3.46	3.20	4.20
Natural Gas	2.43	3.01	4.48	3.58
Copper	4.03	4.07	3.81	4.60

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	16.86	18.19	4.25	2.31
S&P 500	17.58	17.33	3.81	1.82
S&P 500 Value	16.20	16.47	2.62	2.23
S&P 500 Growth	19.05	18.18	6.53	1.45
NASDAQ	16.06	14.70	3.65	2.44
S&P Midcap 400	14.38	12.27	2.20	2.15
S&P Smallcap 600	14.09	13.10	1.75	1.87
MSCI EAFE	13.02	13.43	1.71	3.43
MSCI Emerging Markets	12.03	10.25	1.45	3.85

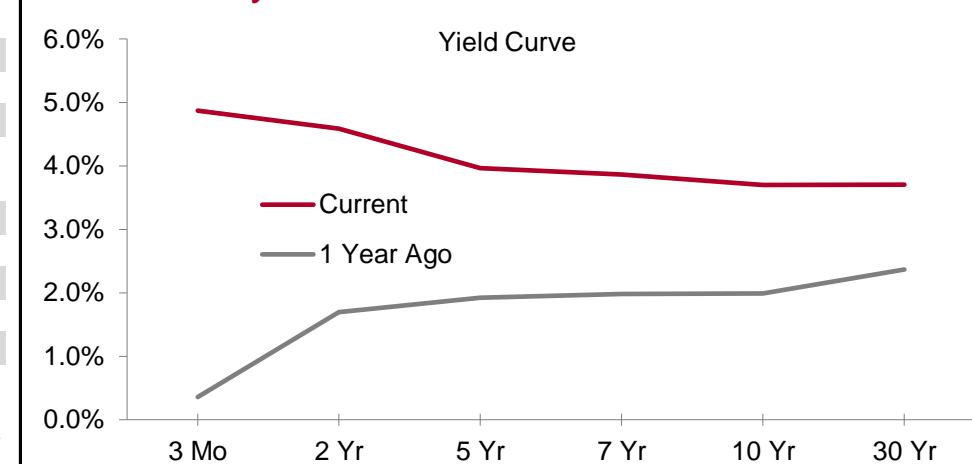
### Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	-6.13	-5.42	-4.77	> 10%	0.17	0.91	1.59
Mid	-8.60	-6.94	-5.30	0% - 10%	0.82	1.20	1.53
Small	-7.84	-7.24	-6.66	< 0%	2.88	1.55	0.30

\*S&P Indices

### Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	0.15	0.21	2.02	> 10%	0.41	0.72	5.19
Corp	-0.03	-0.83	-0.56	0% - 10%	0.60	1.58	3.02
HY	-0.10	-1.13	-2.44	< 0%	2.45	1.87	1.76

\*Bloomberg Indices.

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
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)	3.6%	3.8%
Broader Unemployment Rate (U6)	6.8%	7.2%
JOLT Survey (in millions)	10.82	11.49
Jobless Claims (000's)	211	198
Change in Non-Farm Payroll (000's)	311	904
Average Hourly Earnings (Y/Y % Change)	4.6%	5.3%

### Consumer & Spending

Consumer Confidence (Conf Board)	102.9	105.7
Consumer Spending (\$ Bil)	18,051	16,726
Consumer Credit (\$ Bil)	4,796	4,446
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	121.2	116.0
EUR / USD	1.06	1.10
JPY / USD	135.03	116.14
CAD / USD	0.72	0.78
AUD / USD	0.66	0.74

### S&P 500 Sector Returns

	1 Month	YTD
Information Technology	-3.25%	9.15%
Communication Services	-5.07%	7.40%
Consumer Discretionary	-6.65%	6.98%
Industrials	-3.12%	0.76%
Materials	-4.71%	0.65%
Real Estate	-10.17%	-2.41%
Financials	-9.77%	-3.83%
Consumer Staples	-2.71%	-4.63%
Energy	-8.54%	-5.73%
Health Care	-6.28%	-8.63%
Utilities	-4.90%	-8.66%

Source: Bloomberg

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