INVESTMENT MANAGEMENT

Weekly market update

Chart of the week (Mar. 24, 2023)

The Federal Reserve met on March 21 and 22 to discuss their economic and inflation outlook and what it means for monetary policy. Based on their discussions, the Fed announced a 0.25% increase in overnight rates, bringing the new range to 4.75-5%.

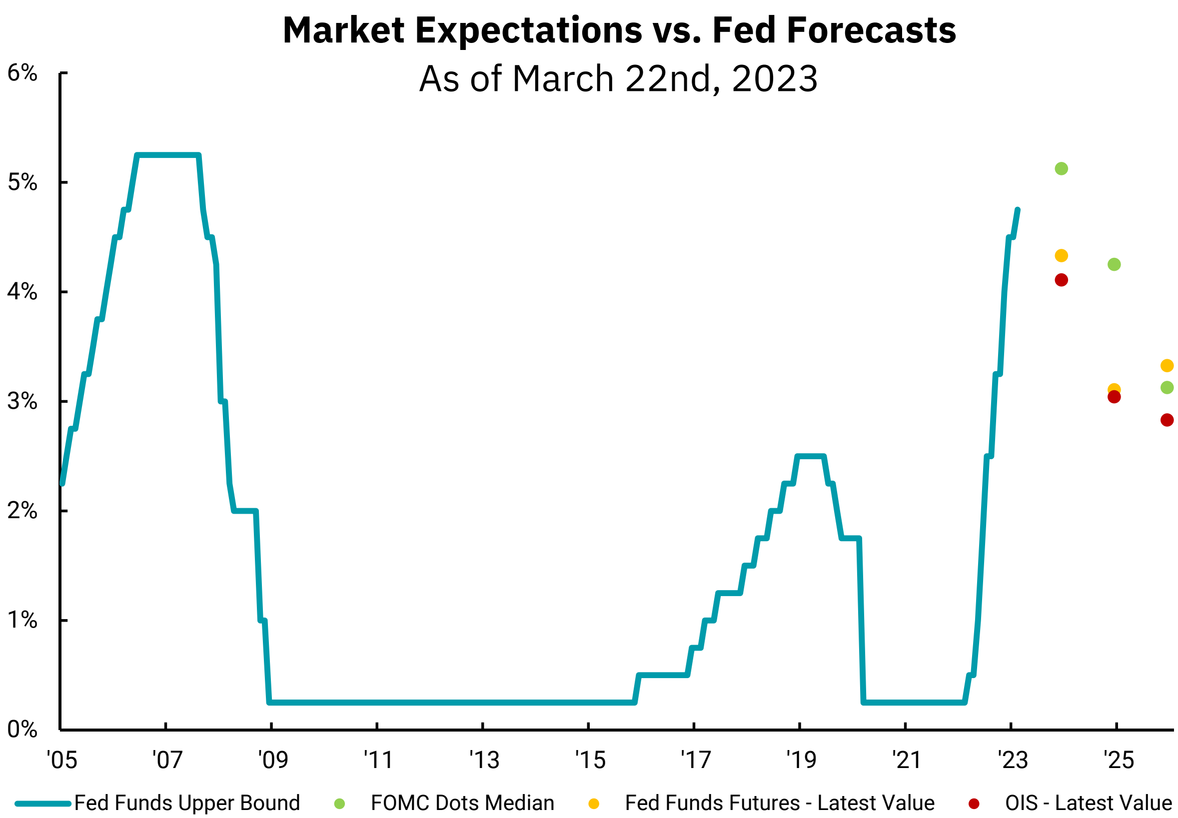
This is the highest Federal Funds rate since 2007, and it is the latest move in a very sharp rate increase cycle that began a year ago.

Meanwhile, early data on growth in the first quarter looks positive, between 2% and 3%. The employment market is still strong, with the latest reading on headline unemployment at 3.60%. However, inflation, while cooling on a year-over-year basis, is still far above the Fed's 2% target rate.

Looking at these factors, it is no surprise that the Fed moved rates up. But recent tremors in the financial sector, both domestically and globally, raise legitimate questions about the ability of the Fed to continue to fight inflation with tighter monetary policy while at the same time providing short-term liquidity to the banking sector.

One way to see this difference is to look at the forecasts of the Federal Reserve on future interest rates, noted as the green dots on the chart, and the market's forecast of rates. We look at a couple of market forecasts: the yellow dots are the Federal Funds forecast, and the red dots are the "overnight index swap" (OIS) market. Both of these are now below the Fed's forecast over the next few months, indicating the market is pricing in lower interest rates sooner than the Fed is forecasting.

Lower rates are better for borrowers, but this could also be a market forecast for much slower economic growth. We need inflation to decline, but a rapid descent from a much weaker economy would not be a good outcome.



Source: Strategas

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Commentary (Mar. 24, 2023)

Domestic Equities

- Volatility remained high this week, but U.S. Equities were mostly resilient. The S&P 500 Index was positive for the week and remains positive year-to-date. Although value and small-cap indices with more financials exposure saw losses this week, the tech-heavy Nasdaq Index was up and returned over 13% year-to-date.
- The big focus was on the Fed this week, and reactions were mixed. The 0.25% rate hike was largely expected, and stocks rose on the initial announcement. Later, stocks fell sharply when Treasury Secretary Janet Yellen said she was not considering blanket insurance to guarantee all deposits.

Bonds

- U.S. Treasury yields moved lower into week-end after concerns over stress in the banking sector resurfaced on Wednesday due to U.S. Treasury Secretary Janet Yellen's comments about not considering blanket insurance for all bank deposits.
- It was a busy week for major developed-market central banks, with the Bank of England, Swiss National Bank, Norges Bank and the U.S. Federal Reserve all hiking policy rates this week. The Federal Reserve also released its updated dot-plot projections, which continued to anticipate a terminal level at 5.125% in 2023. Fed Chair Powell also noted that no Fed officials have penciled in rate cuts for this year.
- With backing from the Swiss National Bank, the United Bank of Switzerland (UBS) purchased Credit Suisse (CS) for $3.3 billion. All of Credit Suisse's AT1 bonds (~$17 billion) will be written off as part of the purchase.

International Equities

- Global markets endured another tumultuous week as investors continue to reassess the economic outlook, as the cumulative impacts from global central bank rate hikes have led to some unexpected outcomes.
- Developed markets rallied and regained some ground after last week's losses. Europe was the big winner, with broad gains seen across most markets. U.K. stocks moved higher even after bearish inflation data that saw the country's consumer price index increase by 10.4%. That figure was worse than expected because of elevated food and energy prices.
- Emerging markets staged a sharp rebound after two weeks of negative returns. The index saw broad gains across Asian and Eastern European markets. Taiwanese stocks rose even as the country's central bank raised its policy rate - a surprise move - reflecting ongoing concerns about the rate of inflation in their economy.

Economics

- The Census Bureau reported that new orders for durable goods declined 1% in February to $268 billion. It has been lower in three out of the last four months.
- The Census Bureau also reported new single-family home sales were 640,000 in February, an increase of 1.10% compared to January. Despite the increase, new home sales remain 19% lower than in February 2022.
- The Department of Labor reported weekly initial claims for unemployment insurance were 191,000, slightly below the four-week moving average of 196,000. Continuing claims were 1.69 million, slightly above the four-week moving average of 1.68 million.
- Consumer spending, personal income, and the University of Michigan consumer confidence updates will be released on Friday.

Weekly Market Update

For Week Ending March 24, 2023

Markets

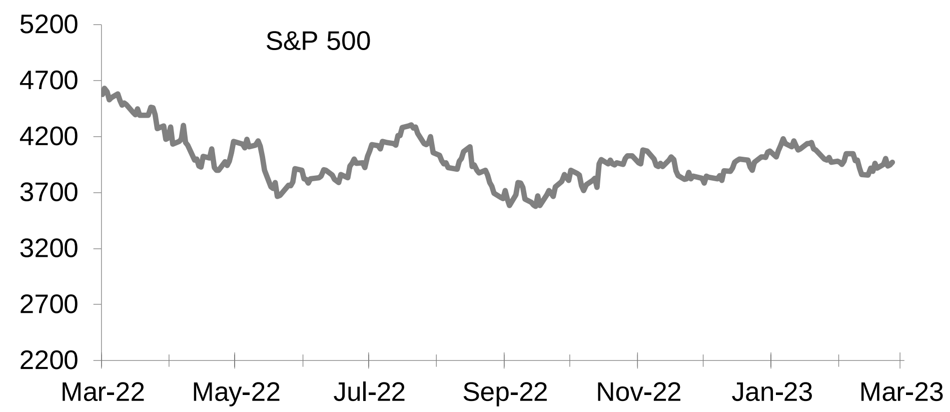
	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	32,237.53	1.2%	-2.2%	-5.1%
S&P 500 Index	3,970.99	1.4%	3.8%	-10.7%
NASDAQ	11,823.96	1.7%	13.2%	-15.9%
S&P 400 Midcap Index	2,404.16	1.3%	-0.7%	-9.3%
S&P 600 Smallcap Index	1,140.23	0.6%	-1.1%	-12.3%
MSCI EAFE	6,864.81	1.6%	4.3%	-4.1%
MSCI Emerging Markets	495.64	2.2%	2.0%	-12.0%
Bloomberg US Agg	2,119.13	0.5%	3.4%	-4.1%
Bloomberg Municipal 5 Yr	476.81	0.4%	1.7%	1.2%
Bloomberg US Corporate	3,067.53	0.9%	3.3%	-4.9%
Bloomberg Glb Agg ex US Hdg	538.77	0.2%	3.3%	-2.9%
Bloomberg High Yield	2,225.32	0.3%	1.8%	-4.3%
MSCI US REIT Index	1,850.48	-1.2%	-3.3%	-22.3%
Bloomberg Commodity Index	227.02	0.5%	-7.7%	-17.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.00%	4.75%	4.50%	0.50%
3-Month Treasury	4.61%	4.34%	4.34%	0.47%
1-Year Treasury	4.22%	4.13%	4.69%	1.54%
2-Year Treasury	3.77%	3.84%	4.43%	2.14%
5-Year Treasury	3.41%	3.50%	4.00%	2.40%
7-Year Treasury	3.40%	3.49%	3.97%	2.42%
10-Year Treasury	3.38%	3.43%	3.87%	2.37%
30-Year Treasury	3.64%	3.62%	3.96%	2.54%
Consumer Rates				
30-Year Mortgage	6.81%	6.97%	6.66%	4.54%
Prime Rate	8.75%	8.50%	8.25%	4.25%
3-Month LIBOR	5.10%	5.00%	4.77%	0.97%
Commodities				
Gold	1,978.21	1,989.25	1,824.02	1,957.69
Crude Oil (WTI)	69.26	66.93	80.26	87.07
Gasoline	3.53	3.57	3.20	4.34
Natural Gas	2.22	2.34	4.48	3.88
Copper	4.08	3.89	3.81	4.72

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.05	18.37	4.30	2.28
S&P 500	18.11	17.86	3.92	1.77
S&P 500 Value	16.31	16.62	2.64	2.21
S&P 500 Growth	20.03	19.11	6.81	1.39
NASDAQ	16.10	14.69	3.65	2.41
S&P Midcap 400	13.91	12.03	2.16	2.22
S&P Smallcap 600	13.67	12.71	1.70	1.88
MSCI EAFE	12.61	13.17	1.69	3.52
MSCI Emerging Markets	12.42	11.71	1.56	3.16

Source: Bloomberg

Equity Style



1 Month*

	Value	Core	Growth
Large	-2.65	0.19	2.80
Mid	-9.49	-7.40	-5.35
Small	-10.01	-8.46	-6.95

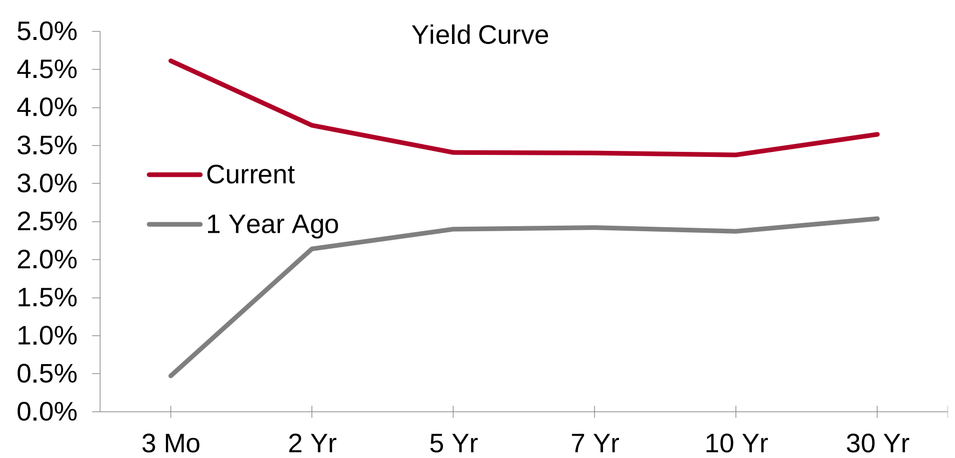
Year to Date*

	Value	Core	Growth
Large	1.02	3.85	6.44
Mid	-2.13	-0.72	0.60
Small	-1.16	-1.14	-1.12

> 10% | 0% - 10% | <0%

*S&P Indices

Fixed Income Style



1 Month*

	Short	Interm.	Long
Govt	2.12	3.20	5.90
Corp	1.18	3.23	3.97
HY	-0.27	-0.20	-0.16

Year to Date*

	Short	Interm.	Long
Govt	2.01	2.83	6.65
Corp	1.40	3.79	4.84
HY	2.02	1.81	1.51

> 10% | 0% - 10% | <0%

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	6.0%	7.9%
CPI Core Inflation	5.5%	6.4%
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)	191	166
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)	698	662
Housing		
Housing Starts (000's)	1,450	1,777
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	77.95	79.41
Markit US Composite PMI	53.30	57.70
U.S. General		
Leading Economic Indicators	110.0	117.6
Trade Weighted Dollar Index	121.7	116.1
EUR / USD	1.08	1.10
JPY / USD	130.73	122.35
CAD / USD	0.73	0.80
AUD / USD	0.66	0.75

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	9.53%	18.76%
Information Technology	7.62%	17.71%
Consumer Discretionary	-1.20%	9.99%
Materials	-5.01%	-0.69%
Industrials	-3.04%	-1.04%
Consumer Staples	0.61%	-1.85%
Real Estate	-6.39%	-3.41%
Health Care	-0.59%	-5.97%
Utilities	-0.65%	-6.14%
Financials	-12.78%	-9.13%
Energy	-7.07%	-10.25%

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