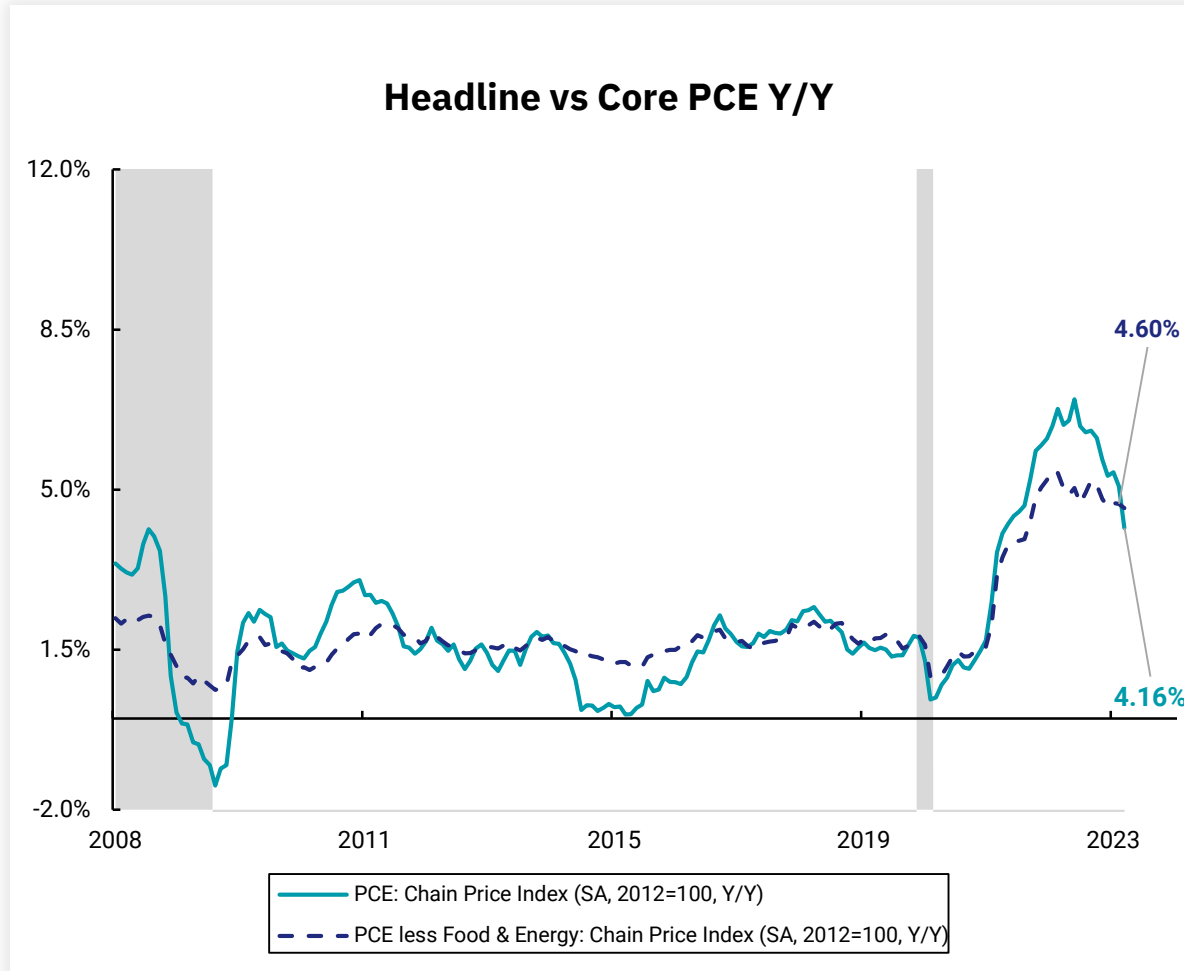


Weekly market update



Chart of the week (Apr. 28, 2023)



It may be too soon to sound the all-clear as it pertains to banking system liquidity issues, but market and borrowing data show that the level of stress has subsided. This trend allows the Federal Reserve to return its focus to the economy and inflation as they prepare for their meeting on May 2-3.

Economic data, along with corporate earnings, continue to show a resilient level of growth, supporting consumer spending. Yes, there are some early signs that the Fed actions over the past year on rates and quantitative tightening are beginning to bite. For example, weekly jobless claims are in an uptrend, and Q1 2023 GDP growth was reported at a below-trend level of 1.1%. Nevertheless overall growth remains positive, and the employment market remains robust as headline unemployment is at 3.5%. Within this environment, inflation remains the key variable for the Fed and its outlook on future monetary policy.

Among the various measures of inflation, the personal consumption expenditures, or PCE, index remains the Fed’s favorite. As with all measures, it is core PCE that is more important than the headline number. This week’s release of PCE data showed a similar trend to that seen in recent CPI (Consumer Price Index) and PPI (Producer Price Index) reports. The good news is that inflation is trending lower overall. However, core inflation remains sticky at levels that provide the Fed with evidence the job is not done.

Specifically, headline PCE was up 0.1% and 4.2% year-over-year, while the core number was reported up 0.3% and 4.6% year-over-year. Looking at the shorter-term trend shows core PCE over the last three months moving higher at 4.9%, indicating a bit of an acceleration. We are now seeing core inflation exceed headline inflation in multiple inflation measures—CPI, PPI, and PCE.

This will make for an interesting discussion at the FOMC meeting May 2-3. Trends in inflation and growth are a bit lower, and monetary policy acts with a lag, meaning the actions already taken will continue to impact the economy, employment and inflation. But has the Fed done enough to get inflation back to its 2% target? The market is expecting another 0.25% increase this week, after which a pause is expected. That sounds about right to us. Inflation is going in the right direction, but the destination is still ahead.

Weekly market update



Commentary (Apr. 28, 2023)

Domestic Equities

- The S&P 500 Index closed the month of April with small gains. Value was slightly ahead of growth for the month, but growth remains ahead year-to-date. The Russell 2000 small-cap index fell over 2% for the month and is about flat for the year. Communication services, the worst-performing sector for 2022, outperformed for the month and is the top-performing sector for the year, up over 20%.
- Earnings season is nearing the halfway mark. So far, 80% of companies that have reported have beaten estimates, with flat earnings per share (EPS) growth year-to-year. 68% of companies have beaten sales estimates, with sales growth averaging 5% year-to-year.
- Market volatility, as measured by the VIX Index, has been declining steadily since mid-March. Investors are cautious, weighing ongoing inflation/recession concerns against better-than-expected earnings.

Bonds

- U.S. Treasury yields were marginally lower on mixed economic data and a more dovish Bank of Japan.
- The broad investment grade market was positive for the week as measured by the Bloomberg U.S. Aggregate Bond Index, with the market benefitting from lower rates.
- Spreads across the investment-grade corporate and securitized sectors were slightly higher for the week.
- The Bank of Japan announced it would keep its current policy levers unchanged but removed any forward guidance. Additionally, the bank announced that it would be conducting a policy review examining the various monetary easing measures taken since the late 1990s. In his first post-meeting press conference, Governor Ueda took a dovish tone, indicating that the bank will patiently continue with easing.

International Equities

- Global investors remain skittish, as they digest a deluge of new global economic data and corporate earnings while staying vigilant over renewed concerns about the health of the global banking system.
- Foreign developed markets struggled to gain traction this week as most markets across the European and Pacific regions posted losses. The eurozone economy grew 1.3% over the last year, slightly below expectations. Persistently high inflation has been a challenge, but the warmer winter and fiscal stimulus helped the region's economy avoid a recession.
- Emerging markets turned in mixed results this week, with several of the largest markets across Asia falling. Mexico's exports reached a record \$53.6 billion in March, leading to an unexpected trade surplus. The country is benefitting from the nearshoring trend, which has driven a manufacturing resurgence to produce goods for the U.S. market.

Economics

- The Bureau of Economic Analysis (BEA) reported that first-quarter GDP increased 1.1% at an annualized rate, down from fourth-quarter GDP of 2.6%.
- Additionally, the BEA indicated personal income rose 0.3% in March, mostly due to rising wages. Consumer spending rose 0.4% in March due to increased spending on services, as spending on durable and non-durable goods declined in the month. The savings rate rose to 5.1%, the sixth consecutive monthly increase. Finally, the BEA reported the Personal Consumption Expenditures (PCE) price index, the Fed's preferred measure of inflation, increased 0.1% in March, and the core PCE price index (which excludes food and energy), rose 0.3%.
- The Bureau of Labor Statistics reported that the employment cost index rose 1.2% in the first quarter.
- The April jobs report will be released on Friday.

Weekly Market Update

For Week Ending April 28, 2023

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	34,098.16	0.9%	3.5%	2.7%
S&P 500 Index	4,169.48	0.9%	9.2%	-1.1%
NASDAQ	12,226.58	1.3%	17.1%	-4.1%
S&P 400 Midcap Index	2,490.40	-0.3%	3.0%	-1.4%
S&P 600 Smallcap Index	1,148.17	-1.0%	-0.3%	-6.3%
MSCI EAFE	7,342.26	0.1%	11.5%	9.6%
MSCI Emerging Markets	499.56	-0.3%	2.8%	-4.5%
Bloomberg US Agg	2,122.20	0.8%	3.6%	-0.9%
Bloomberg Municipal 5 Yr	475.55	-0.1%	1.5%	2.9%
Bloomberg US Corporate	3,095.67	0.9%	4.3%	0.0%
Bloomberg Glb Agg ex US Hdg	538.62	0.8%	3.3%	-1.2%
Bloomberg High Yield	2,286.64	0.5%	4.6%	0.7%
MSCI US REIT Index	1,975.52	1.5%	3.2%	-20.0%
Bloomberg Commodity Index	230.96	-1.1%	-6.1%	-16.4%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.00%	5.00%	4.50%	0.50%
3-Month Treasury	5.03%	5.02%	4.34%	0.80%
1-Year Treasury	4.74%	4.72%	4.69%	1.97%
2-Year Treasury	4.01%	4.18%	4.43%	2.62%
5-Year Treasury	3.48%	3.66%	4.00%	2.84%
7-Year Treasury	3.46%	3.62%	3.97%	2.86%
10-Year Treasury	3.42%	3.57%	3.87%	2.82%
30-Year Treasury	3.67%	3.78%	3.96%	2.89%

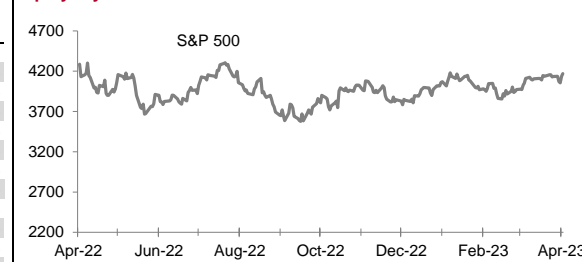
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.85%	6.89%	6.66%	5.42%
Prime Rate	8.75%	8.75%	8.25%	4.25%
3-Month LIBOR	5.30%	5.26%	4.77%	1.29%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	1,990.00	1,983.06	1,824.02	1,894.45
Crude Oil (WTI)	76.78	77.87	80.26	86.69
Gasoline	3.77	3.77	3.20	4.21
Natural Gas	2.41	2.41	4.48	4.26
Copper	3.89	3.99	3.81	4.45

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.05	19.07	3.74	2.15
S&P 500	19.08	18.73	4.12	1.69
S&P 500 Value	17.26	17.41	2.77	2.11
S&P 500 Growth	21.05	19.76	7.06	1.34
NASDAQ	16.93	15.36	3.82	2.29
S&P Midcap 400	14.62	12.43	2.24	2.13
S&P Smallcap 600	14.18	12.76	1.69	1.89
MSCI EAFE	13.29	14.04	1.79	3.37
MSCI Emerging Markets	12.45	11.71	1.57	3.13

Source: Bloomberg

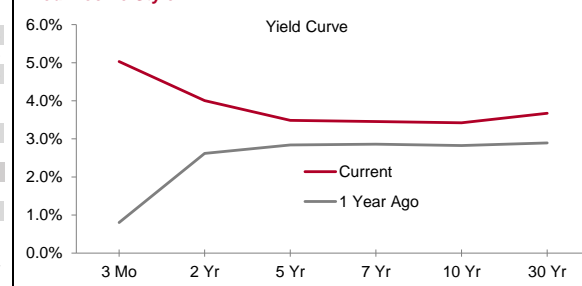
Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large	5.32	5.11	6.97	9.17	11.20
Mid	2.41	2.48	2.54	1.42	2.99
Small	0.34	-0.27	-0.85	0.56	-0.28

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt	0.35	0.78	2.04	1.86	2.81
Corp	0.85	1.98	2.78	1.80	4.83
HY	1.91	2.79	2.94	3.94	4.61

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	5.0%	8.5%
CPI Core Inflation	5.6%	6.5%
Personal Consumption Exp (PCE) Core	4.6%	5.4%
Jobs		
Unemployment Rate (U3)	3.5%	3.6%
Broader Unemployment Rate (U6)	6.7%	6.9%
JOLT Survey (in millions)	9.93	11.60
Jobless Claims (000's)	230	207
Change in Non-Farm Payroll (000's)	236	414
Average Hourly Earnings (Y/Y % Change)	4.2%	5.9%
Consumer & Spending		
Consumer Confidence (Conf Board)	101.3	108.6
Consumer Spending (\$ Bil)	18,104	17,054
Consumer Credit (\$ Bil)	4,821	4,478
Retail Sales (\$ Bil)	683	667
Housing		
Housing Starts (000's)	1,420	1,716
Case-Shiller Home Price Index	293.17	287.29
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	20,236	19,924
Quarter over Quarter Change	1.1%	-1.6%
Year Over Year Change	1.6%	3.7%
ISM Manufacturing	46.30	57.00
Capacity Utilization	79.80	80.52
Markit US Composite PMI	53.50	56.00
U.S. General		
Leading Economic Indicators	108.4	117.6
Trade Weighted Dollar Index	119.3	117.2
EUR / USD	1.10	1.05
JPY / USD	136.30	130.85
CAD / USD	0.74	0.78
AUD / USD	0.66	0.71

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	7.53%	25.05%
Information Technology	5.25%	22.37%
Consumer Discretionary	4.51%	15.03%
Consumer Staples	5.41%	4.45%
Materials	3.58%	4.14%
Real Estate	7.00%	2.94%
Industrials	1.80%	2.24%
Health Care	5.07%	-1.37%
Utilities	4.57%	-1.44%
Energy	5.88%	-1.52%
Financials	5.66%	-2.56%

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