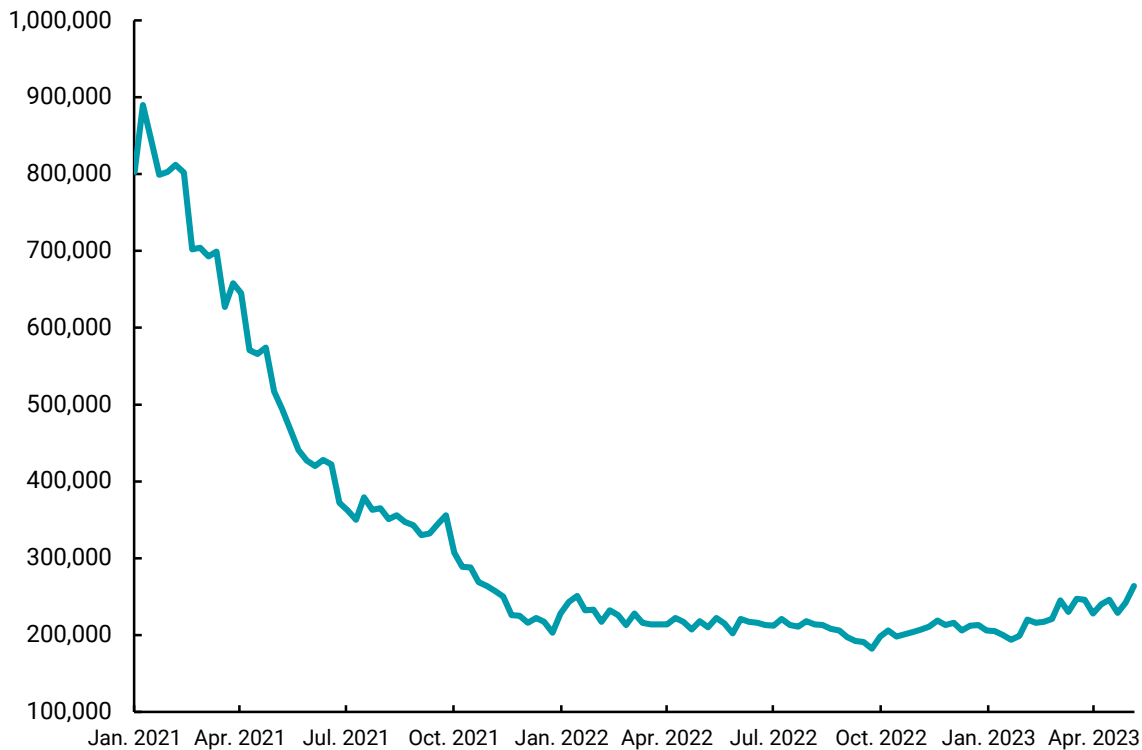


Weekly market update



Chart of the week (May 12, 2023)

U.S. Initial Jobless Claims



The number of indicators pointing to an increased chance of recession continues to grow. The treasury yield curve has been inverted for several months, and recent data on credit availability from banks points to, at best, slower economic growth going forward. At the same time, consumer spending remains relatively strong, supported by a robust job market, where the latest reading on headline unemployment matched a cycle low of 3.4%.

However, we are beginning to see some signs of a shift occurring on the fringes of the job market. In the recent Job Opening and Labor Turnover Survey (JOLTS), the number of open jobs declined to 9.59 million. This is down from a recent high of over 11 million open jobs. While this still represents almost 1.7 jobs for every unemployed person, this ratio is down from over two open jobs per unemployed person. Open jobs have been a metric the Federal Reserve has mentioned as important as they think about the path of monetary policy going forward.

Another data point where we have begun to see some cracks is in the weekly jobless claims. This week's chart only goes back to 2021. We are looking at this shorter period to exclude the pandemic period to avoid all of the data being overwhelmed by the gigantic increase in jobless claims when the economy shut down. Thankfully, we saw a very quick rebound, and the downtrend from this recovery can be seen as weekly jobless claims fell from around 900,000 in early 2021 to a low near 200,000 last year. The 2022 levels represented the lowest weekly jobless claims in decades, with a labor force much bigger than when we last saw numbers like this.

The most recent report showed jobless claims increasing to 264,000, up 22,000 for the week. The increase from 200,000 to now 264,000 can seem small when looking at the chart and seeing the much higher numbers in 2021, but past increases of a similar amount have preceded periods of increased unemployment. The Fed's own forecast is for unemployment to rise slowly over the course of this year as the impact of raising rates and reducing the size of their balance sheet take hold. The increase in weekly jobless claims might provide them with the information they need to pause in their rate increase cycle and see how the economy and unemployment evolve from here.

Weekly market update



Commentary (May 12, 2023)

Domestic Equities

- U.S. stocks were about flat for the week. Value underperformed on continued bank pressures while growth, particularly tech, outperformed.
- Most U.S. companies have reported Q1 earnings at this point. Earnings per share (EPS) growth is down an average of -2.2% year-over-year, better than the expected -6.7% decline. Revenue growth and profit margins are also ahead of expectations. The forecast is for earnings to decline again in the second quarter but then improve, ending at +1.2% for the full fiscal year.
- Investors are looking for indications of economic growth that will maintain the earnings forecast while also searching for signs that inflation is cooling enough to keep the Fed on hold. Data expressing declining consumer and producer prices help support this outlook. Other factors, such as increasing unemployment and continued banking-sector stress, cloud the growth outlook.

Bonds

- U.S. Treasury returns were mixed with debt ceiling jitters causing the 2M-3M T-Bill yields to drop, while longer-term rates finished the week marginally higher after initially falling on weaker inflation data and higher-than-expected initial jobless claims.
- Short-term inflation expectations continued to fall, with the 1-Year U.S. Treasury Breakeven rate falling to its lowest level since January.
- The Bank of England (BOE) hiked its main policy rate by 0.25% to 4.5%. In its press release, the Monetary Policy Committee (MPC) also indicated that it no longer expects the U.K. to move into a recession this year and signaled that further tightening would be required if there were more evidence of persistent inflationary pressures.
- Local currency-denominated emerging market debt experienced its biggest loss in three weeks due to rising political risks across a number of countries.

International Equities

- Global investors remain vigilant, working to assess new economic data and monetary policy shifts while closely monitoring the U.S. debt ceiling impasses, which are dampening investor sentiment.
- Foreign developed market stocks have struggled to find strong upward momentum over the last four weeks. This week, European and Pacific markets faltered, with most major markets falling for the week. The U.K. economy continues to struggle as it grew at a paltry 0.1% for the first quarter, following an unexpected contraction in March.
- Stocks in emerging markets fell this week as weakness across Asia overshadowed strength within Latin America and Eastern European markets. Brazilian stocks rallied as inflation rose 4.18% in April from a year earlier but has now slowed for 10 consecutive months. Investors hope that declining inflation will be a catalyst to decrease monetary policy rates.

Economics

- The Bureau of Labor Statistics (BLS) reported the Consumer Price Index (CPI-U) increased 0.4% in April, primarily due to rising shelter costs. Notably, prices for used cars and trucks rose 0.4% in April, ending nine consecutive monthly decreases. Over the prior 12-months, the index was 4.9% and had declined each month since July 2022. Core CPI, which excludes food and energy, was unchanged, rising 0.4% in April, and the 12-month rate declined to 5.5%.
- The BLS also reported the Producer Price Index (PPI) increased 0.2% in April as final demand for both goods and services increased.
- Initial claims for unemployment insurance increased by 22,000 in the week ending May 6, totaling 264,000, the highest level since Oct. 30, 2021.
- Retail sales and industrial production will be released on Tuesday.

Weekly Market Update

For Week Ending May 12, 2023

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,300.62	-1.0%	1.2%	7.2%
S&P 500 Index	4,124.08	-0.2%	8.1%	6.7%
NASDAQ	12,284.74	0.4%	17.7%	9.0%
S&P 400 Midcap Index	2,432.73	-1.1%	0.7%	4.4%
S&P 600 Smallcap Index	1,119.61	-1.7%	-2.7%	-1.9%
MSCI EAFE	7,304.48	-0.7%	11.0%	14.6%
MSCI Emerging Markets	497.82	-0.9%	2.5%	1.5%
Bloomberg US Agg	2,116.27	-0.2%	3.3%	-0.9%
Bloomberg Municipal 5 Yr	476.56	0.0%	1.7%	3.6%
Bloomberg US Corporate	3,071.93	-0.2%	3.5%	0.1%
Bloomberg Glb Agg ex US Hdg	540.35	0.3%	3.6%	-0.9%
Bloomberg High Yield	2,276.77	-0.1%	4.2%	3.4%
MSCI US REIT Index	1,955.49	-1.5%	2.1%	-7.6%
Bloomberg Commodity Index	224.48	-1.6%	-8.7%	-17.5%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.25%	5.25%	4.50%	1.00%
3-Month Treasury	5.15%	5.20%	4.34%	0.93%
1-Year Treasury	4.73%	4.72%	4.69%	1.87%
2-Year Treasury	3.99%	3.91%	4.43%	2.56%
5-Year Treasury	3.45%	3.41%	4.00%	2.82%
7-Year Treasury	3.45%	3.41%	3.97%	2.87%
10-Year Treasury	3.46%	3.44%	3.87%	2.85%
30-Year Treasury	3.79%	3.75%	3.96%	3.02%

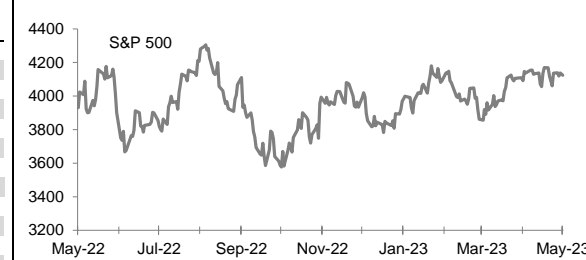
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.89%	6.83%	6.66%	5.57%
Prime Rate	9.00%	9.00%	8.25%	4.75%
3-Month LIBOR	5.32%	5.34%	4.77%	1.41%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	2,010.77	2,016.79	1,824.02	1,821.82
Crude Oil (WTI)	70.04	71.34	80.26	88.18
Gasoline	3.64	3.71	3.20	4.43
Natural Gas	2.27	2.14	4.48	4.59
Copper	3.73	3.88	3.81	4.13

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.60	18.59	4.31	2.18
S&P 500	18.92	18.47	3.99	1.70
S&P 500 Value	16.89	17.01	2.67	2.12
S&P 500 Growth	21.10	20.02	6.93	1.33
NASDAQ	16.44	15.08	3.64	2.32
S&P Midcap 400	14.14	12.66	2.09	2.20
S&P Smallcap 600	13.96	12.04	1.56	1.91
MSCI EAFE	13.21	13.95	1.78	3.37
MSCI Emerging Markets	12.42	11.80	1.58	3.13

Source: Bloomberg

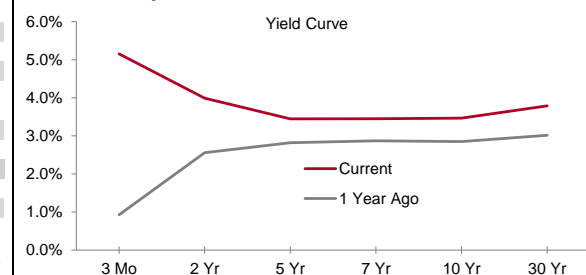
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	-0.13	0.91	1.82	4.55	8.05	11.27
Mid	-2.67	-2.01	-1.38	-1.76	0.67	2.98
Small	-4.55	-3.63	-2.73	-3.12	-2.69	-2.29

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	0.26	0.28	-1.81	2.09	3.04	5.22
Corp	0.29	-0.60	-1.83	1.89	4.00	4.29
HY	0.36	0.10	-1.97	3.77	4.19	3.20

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	4.9%	8.3%
CPI Core Inflation	5.5%	6.2%
Personal Consumption Exp (PCE) Core	4.6%	5.4%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	3.4%	3.6%
Broader Unemployment Rate (U6)	6.6%	7.0%
JOLT Survey (in millions)	9.59	12.03
Jobless Claims (000's)	264	210
Change in Non-Farm Payroll (000's)	253	254
Average Hourly Earnings (Y/Y % Change)	4.4%	5.8%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	101.3	108.6
Consumer Spending (\$ Bil)	18,104	17,054
Consumer Credit (\$ Bil)	4,851	4,522
Retail Sales (\$ Bil)	683	667

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,420	1,716
Case-Shiller Home Price Index	293.17	287.29

	Last Release	Year Ago
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	47.10	55.90
Capacity Utilization	79.80	80.52
Markit US Composite PMI	53.40	56.00

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	108.4	117.6
Trade Weighted Dollar Index	119.2	120.0
EUR / USD	1.08	1.04
JPY / USD	135.70	128.34
CAD / USD	0.74	0.77
AUD / USD	0.66	0.69

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	2.64%	13.74%
Information Technology	1.89%	11.40%
Consumer Discretionary	1.75%	7.68%
Consumer Staples	1.24%	2.03%
Real Estate	-0.35%	0.56%
Materials	-1.59%	0.49%
Industrials	-0.55%	0.35%
Utilities	-0.44%	-0.68%
Health Care	-0.65%	-1.17%
Financials	-0.58%	-3.16%
Energy	-4.55%	-4.61%

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