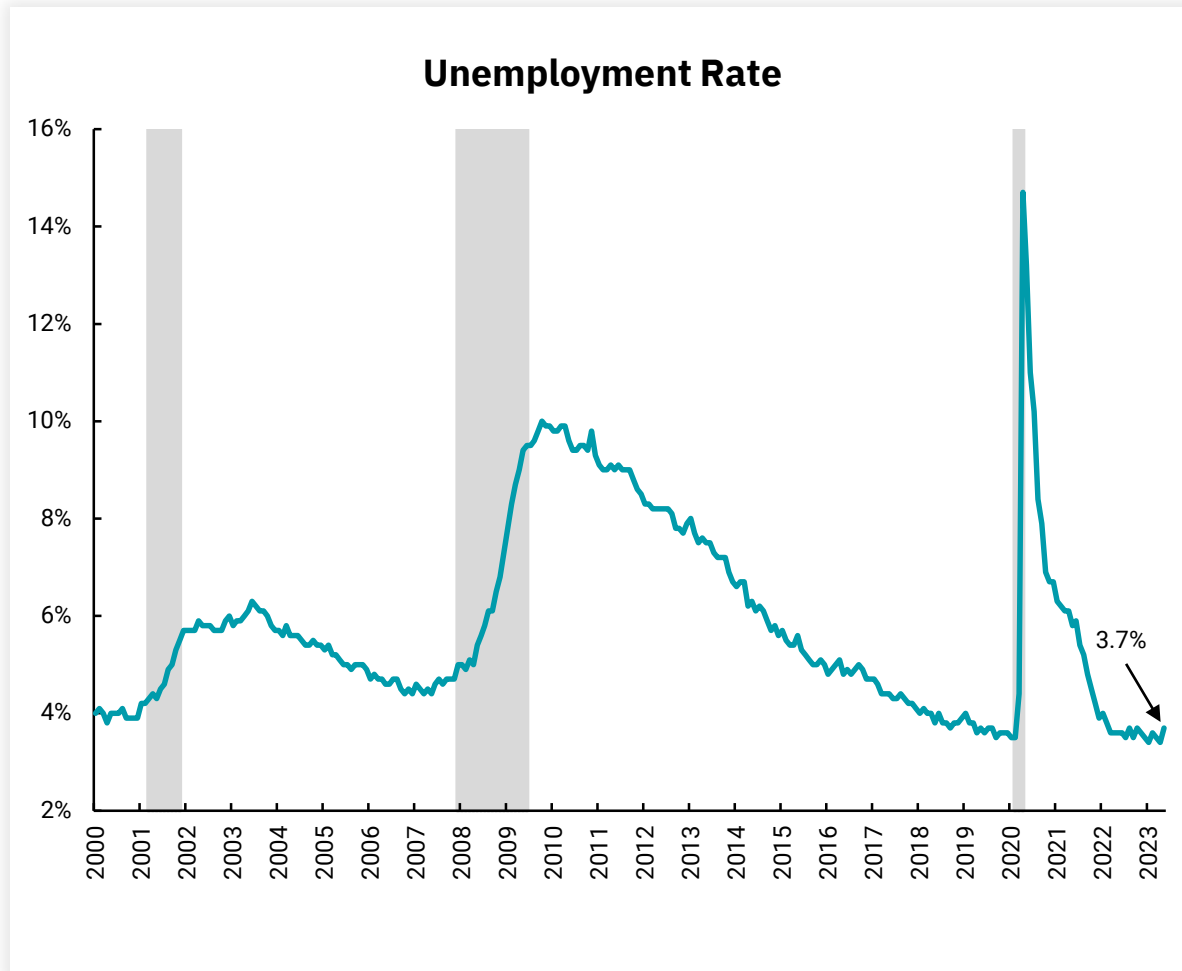


Weekly market update



Chart of the week (Jun. 02, 2023)



The monthly employment report has regularly been an important data set. But its importance has increased since the Federal Reserve has targeted the labor market as a key metric as it considers the path of monetary policy.

The Department of Labor's monthly report includes several different measures of the labor market, each important on its own. And as the numbers for May came out on Friday (June 2), they elicited a couple of reactions.

We usually see the number of jobs created first. For May, we expected the report to show an increase in nonfarm payrolls of about 195,000. Instead, we got an increase of 339,000—much higher than anticipated. This garnered a "wow!" reaction, as this increase was much stronger than expected, and the report also provided upward revisions to the previous two months. Then we saw the headline unemployment rate, the U3, which went up from 3.4% to 3.7%, causing a "what?" reaction.

This type of difference between economic indicators is not unheard of, as the number of new jobs is calculated differently than the unemployment rate. But a difference of this magnitude does not happen often. We should see the two methods used in the unemployment report move towards each other over time, but this release fits with the mixed data we have been getting around the economy for a while—with some areas showing strength while others showing weakness.

Another aspect of the monthly report is a measure of wages. Recall that the Fed has targeted wages as a key metric as it thinks about inflation and the direction of monetary policy. On that front, average hourly earnings (AHE) were reported at +0.3% for the month, which annualizes at 4.3%, the same as last month.

Recent comments from some Fed members and the mixed economic data have led to some speculation that the Fed will hold rates steady at their upcoming meeting. The employment report shows the labor market remains robust, and while it appears the Fed is no longer behind on inflation, the core rate of inflation, led by wages, remains well above the Fed's target of 2%. The Fed might skip raising rates this meeting, but there is still work to do before they can say inflation is clearly declining toward their target.

Weekly market update

Commentary (Jun. 02, 2023)

Domestic Equities

- The S&P 500 Index closed another positive month this week, pushing to new year-to-date highs up over 12%. Growth continues to outperform value, and large cap companies have beat small caps.
- Breadth is very narrow, with only about 25% of names in the S&P 500 Index outperforming the index year-to-date. Technology, communication services and consumer discretionary are the only sectors outperforming the index for the year. Energy, materials, staples, financials and health care all posted negative returns this year.
- The CBOE Volatility Index (VIX) broke below 15 for the first time since early 2020. Wall Street considers the VIX a gauge of fear in the marketplace. The index had been trading between 20-30 since late 2021.

Bonds

- U.S. Treasuries rallied following progress on the debt ceiling bill, but market gave back much of its gains Friday after BLS data showed that the U.S. economy had added more jobs last month than expected. Across the curve, the drop in yields was most acute at the front end, with T-bills coming to maturity in early June falling by over 2% from recent highs.
- The broad investment grade market was positive for the week, with lower rates and narrowing spreads both adding to returns. Specifically, spreads narrowed across both the securitized and corporate sectors.
- Within corporate credit, higher quality (e.g. AAA-rated) and longer maturity (e.g. +10-year maturity) issues posted the strongest returns.
- Emerging market debt initially moved lower due to a strengthening U.S. dollar and heightened political risks, but managed to eke a slight gain on hopes that the Chinese government will announce new stimulus measures.

International Equities

- Debt ceiling negotiations rattled investors in recent weeks, but with an agreement in place, investors now turn their focus on the potential global monetary policy shifts and how they might impact the world's economies.
- Foreign developed markets dropped earlier in the week, but stocks across European and Pacific markets rallied as the resolution of the debt ceiling drama came into focus. In economic news, eurozone inflation eased more than expected in May as the annual headline inflation rate fell to 6.1% from 7% in April.
- Emerging markets also rallied towards the end of the week as the shift in sentiment drove stocks higher. The strongest gains were seen across Latin American markets. India's economy expanded faster than expected at 6.1% year-over-year from January to March. The economy benefited from government and private capital spending.

Economics

- The Bureau of Labor Statistics (BLS) reported total non-farm payroll employment rose by 339,000 in May, totaling 156 million employed. Total employment has risen for 29 consecutive months and is higher by 3.7 million compared to February 2020 based on the establishment survey. The household survey indicated the unemployment rate rose to 3.7%, an increase of 0.3% from the prior month.
- The BLS additionally indicated job openings rose in April to 10.1 million, an increase of 358,000 compared to March. The monthly increase was the first since December 2022, when job openings were 11.2 million. Most job openings were in health care and social assistance, as well as retail trade. Total separations declined to 5.7 million, 286,000 lower than the March level, with most of the separations due to layoffs and discharges.
- University of Michigan Consumer Confidence will be released on Friday.

Weekly Market Update

For Week Ending June 02, 2023

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	33,762.76	2.2%	2.9%	3.8%
S&P 500 Index	4,282.37	1.9%	12.4%	4.3%
NASDAQ	13,240.77	2.1%	27.0%	8.5%
S&P 400 Midcap Index	2,505.55	2.6%	3.8%	0.0%
S&P 600 Smallcap Index	1,181.71	3.1%	2.8%	-4.2%
MSCI EAFE	7,225.72	0.9%	9.8%	6.2%
MSCI Emerging Markets	504.54	1.3%	3.8%	-4.6%
Bloomberg US Agg	2,093.12	1.0%	2.2%	-2.2%
Bloomberg Municipal 5 Yr	471.93	0.5%	0.7%	0.4%
Bloomberg US Corporate	3,048.15	1.1%	2.7%	-1.6%
Bloomberg Glb Agg ex US Hdg	539.51	0.9%	3.5%	0.1%
Bloomberg High Yield	2,284.96	1.1%	4.5%	0.9%
MSCI US REIT Index	1,958.78	3.3%	2.3%	-11.5%
Bloomberg Commodity Index	222.14	-0.2%	-9.7%	-22.5%

	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	5.35%	5.23%	4.34%	1.12%
1-Year Treasury	5.23%	5.22%	4.69%	2.10%
2-Year Treasury	4.50%	4.56%	4.43%	2.63%
5-Year Treasury	3.84%	3.93%	4.00%	2.91%
7-Year Treasury	3.78%	3.87%	3.97%	2.94%
10-Year Treasury	3.69%	3.80%	3.87%	2.91%
30-Year Treasury	3.89%	3.96%	3.96%	3.07%

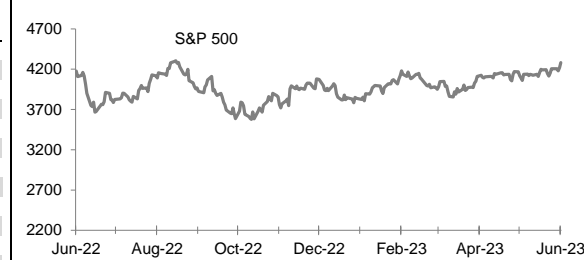
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	6.99%	7.19%	6.66%	5.39%
Prime Rate	9.00%	9.00%	8.25%	4.75%
3-Month LIBOR	5.50%	5.48%	4.77%	1.63%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	1,947.97	1,946.46	1,824.02	1,868.58
Crude Oil (WTI)	71.74	72.67	80.26	93.51
Gasoline	3.68	3.65	3.20	4.73
Natural Gas	2.17	2.42	4.48	5.28
Copper	3.73	3.68	3.81	4.57

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.82	18.90	4.39	2.14
S&P 500	19.53	19.16	4.12	1.63
S&P 500 Value	17.30	17.12	2.69	2.10
S&P 500 Growth	21.92	20.67	7.07	1.28
NASDAQ	16.38	15.16	3.67	2.30
S&P Midcap 400	14.67	13.06	2.12	2.13
S&P Smallcap 600	15.02	12.27	1.62	1.89
MSCI EAFE	13.17	12.91	1.59	3.43
MSCI Emerging Markets	12.90	11.87	1.50	3.07

Source: Bloomberg

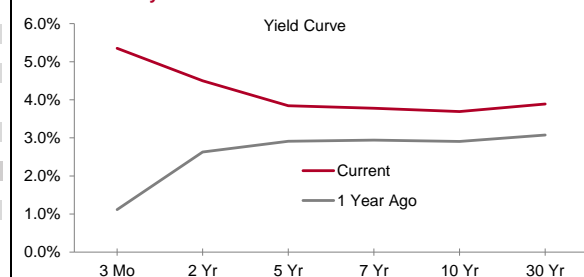
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	2.07	4.17	6.02	7.68	12.35	16.65
Mid	2.36	2.27	2.16	1.95	3.82	5.55
Small	3.92	5.18	6.37	1.91	2.84	3.70

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	-0.61	-1.18	-3.01	1.35	1.75	3.12
Corp	-0.33	-1.18	-2.12	1.55	3.31	3.23
HY	0.69	0.31	-0.32	4.47	4.57	3.38

*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	4.7%	5.0%

	Last Release	Year Ago
Jobs		
Unemployment Rate (U3)	3.7%	3.6%
Broader Unemployment Rate (U6)	6.7%	7.1%
JOLT Survey (in millions)	10.10	11.76
Jobless Claims (000's)	232	202
Change in Non-Farm Payroll (000's)	339	364
Average Hourly Earnings (Y/Y % Change)	4.3%	5.5%

	Last Release	Year Ago
Consumer & Spending		
Consumer Confidence (Conf Board)	102.3	103.2
Consumer Spending (\$ Bil)	18,268	17,116
Consumer Credit (\$ Bil)	4,851	4,522
Retail Sales (\$ Bil)	686	675

	Last Release	Year Ago
Housing		
Housing Starts (000's)	1,401	1,803
Case-Shiller Home Price Index	297.08	295.12

	Last Release	Year Ago
U.S. Productivity		
Real Gross Domestic Product (\$ Bil)	20,246	19,924
Quarter over Quarter Change	1.3%	-1.6%
Year Over Year Change	1.6%	3.7%
ISM Manufacturing	46.90	56.10
Capacity Utilization	79.70	80.71
Markit US Composite PMI	54.50	53.60

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	107.5	116.9
Trade Weighted Dollar Index	120.9	118.8
EUR / USD	1.07	1.07
JPY / USD	139.92	129.84
CAD / USD	0.74	0.80
AUD / USD	0.66	0.73

S&P 500 Sector Returns

	1 Month	YTD
Information Technology	12.33%	36.44%
Communication Services	9.57%	34.47%
Consumer Discretionary	7.79%	22.88%
Industrials	1.50%	3.26%
Materials	-1.46%	1.61%
Real Estate	0.17%	0.39%
Consumer Staples	-4.55%	-0.54%
Financials	1.48%	-3.64%
Health Care	-2.45%	-3.69%
Utilities	-4.62%	-6.96%
Energy	-0.80%	-7.66%

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