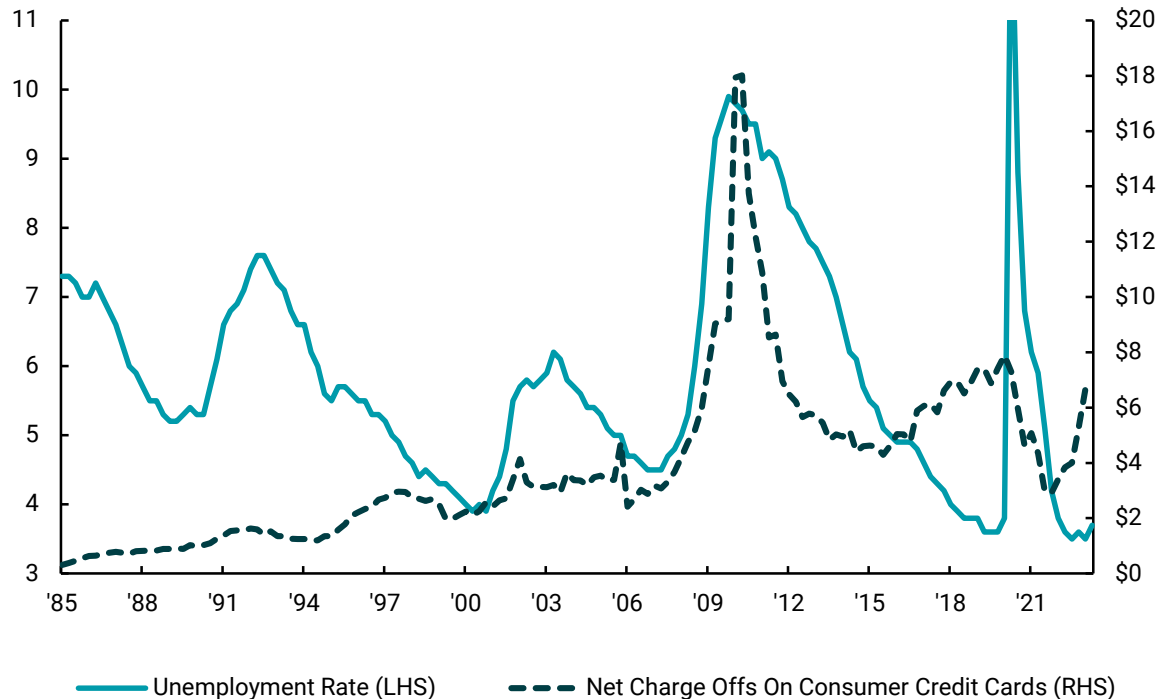


Weekly market update



Chart of the week (Jun. 16, 2023)

**Net Charge Offs On Consumer Credit Cards (\$bn)
vs. U.S. Unemployment Rate (%)**



Since the U.S. economy is largely driven by consumer spending, consumers' financial health is near the top of the list of data points we watch. Consumer spending's significance helps explain why "full employment" and price stability are mandates for the Federal Reserve as they implement their monetary policies.

We are watching the labor market closely as the Fed tries to reign in higher-than-desired inflation by raising interest rates and shrinking their balance sheet. It is an unfortunate side effect of slowing demand that we normally see the rate of unemployment rise, which can make it harder for consumers to pay their debt and increases the rate of charge-offs we see from credit card companies.

With this in mind, this week's chart looks at the relationship between unemployment and credit card company charge-offs. History shows a relatively weak correlation until the onset of the Financial Crisis in 2008 and 2009 when higher unemployment contributed to a huge increase in credit card charge-offs. Of course, during that period, losses on home mortgages skyrocketed too, as consumers had significantly over-leveraged their position. It makes intuitive sense for charge-offs to increase during periods of economic stress, as job loss has a material impact on a consumer's income.

The onset of the pandemic, clearly visible in the chart when unemployment surged to over 11%, did not see a corresponding increase in charge-offs. Why? The Federal Reserve's actions on rates and liquidity, and more importantly, Congress's material fiscal actions, meant personal incomes did not go down with higher job losses. In fact, personal incomes went up during the pandemic leading to a period of lower charge-offs and de-leveraging by consumers.

As we move forward, however, the chances of fiscal support from the government are less. Moreover, as the Fed has raised rates and credit card interest rates now exceed 20%, the rising cost of credit card debt means we will need to think about a scenario where job losses might result in higher charge-offs. Already, we have begun to see credit card charge-offs increase even as the unemployment rate remains low. This could be a negative harbinger of things to come as the impact of the Fed's monetary policies has a larger impact on the economy. What is not shown in the chart is consumers' increased use of credit card debt, as overall credit card usage was much less in the early periods we show, which could add to the negative implications. The Fed may want the labor market to weaken a bit to ease inflation, but we don't want a collapse in employment.

Weekly market update



Commentary (Jun. 16, 2023)

Domestic Equities

- U.S. stocks saw gains again this week, with the S&P 500 Index and the Nasdaq Composite Index notching year-to-date highs thanks to strong earnings from big tech and the Federal Reserve rate-hike pause.
- Adobe became the latest company to report stronger-than-expected earnings, pointing to AI as its growth driver. The stock of Roomba, the maker of iRobot (based in the U.K.), jumped as its board approved a takeover bid from Amazon. Microsoft stock hit an all-time high of \$348 on Thursday.
- The Fed chose not to hike interest rates this week after ten consecutive increases since March 2022. Investors brushed off comments that the central bank is prepared to resume rate hikes next month if inflation does not continue declining and focused instead on cooling Consumer Price Index (CPI) data and a better-than-expected consumer confidence reading.

Bonds

- U.S. Treasuries were mixed due to conflicting economic data and central bank policy actions. Yields at the front-end (3-6M) and long-end (20-30Yr) were lower, while the rest of the curve finished the week higher, with the yield on the 2-year maturity experiencing the largest increase.
- The Federal Reserve announced they were leaving rates unchanged. However, the committee leaned more hawkish in its outlook, raising growth and inflation expectations. Chair Powell also indicated that nearly all members expect further hikes and that rate cuts likely will be a couple of years out.
- Internationally, the People's Bank of China stepped up its stimulus efforts by lowering the rate on its medium-term lending facility by 0.10% to 2.65%. Additionally, the European Central Bank hiked its main deposit rate by 0.25% to 3.5%. ECB President Lagarde announced that another hike in July is likely in her post-meeting press conference.

International Equities

- Global stock markets surged higher this week as investors worked to digest the major central bank policy decisions around the world and elevated inflation levels are clouding the outlook for future economic growth.
- Foreign developed markets traded higher this week as most European and Pacific markets posted gains. U.K. stocks are up over 10% for the year as investors look past the sluggish economic growth outlook and higher inflation.
- Emerging markets moved higher for the third consecutive week, with most markets across Asia, Latin America and Europe moving up. Chinese stocks received a boost after the country's central bank cut interest rates in an effort to boost economic growth. The country faces challenges from slowing export growth, continued strains in its property sector and the high youth unemployment rate.

Economics

- The Bureau of Labor Statistics (BLS) reported the Consumer Price Index (CPI-U) was 0.1% in May, down from 0.4% in April. Over the prior 12 months ending in May 2023, CPI-U was 4.0%, the lowest level since the 12 months ending in March 2021. Core CPI, which excludes food and energy, was 0.4% in May and 5.3% over the prior 12 months.
- The BLS also reported the Producer Price Index (PPI) for final demand declined 0.3% in May due to goods prices falling 1.6%, although services increased 0.2% in the month.
- The Census Bureau reported monthly retail sales were \$687 billion, an increase of 0.3% from the prior month and an increase of 1.6% over the prior 12 months. The monthly sales increase was widespread, with most categories rising in May.

Weekly Market Update

For Week Ending June 16, 2023

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	34,299.12	1.3%	4.6%	17.1%
S&P 500 Index	4,409.59	2.6%	15.8%	22.3%
NASDAQ	13,689.57	3.3%	31.4%	29.7%
S&P 400 Midcap Index	2,580.07	1.6%	7.0%	19.3%
S&P 600 Smallcap Index	1,204.80	0.4%	4.9%	12.8%
MSCI EAFE	7,481.69	2.9%	13.6%	20.9%
MSCI Emerging Markets	529.06	2.9%	8.8%	5.2%
Bloomberg US Agg	2,094.12	0.2%	2.2%	0.5%
Bloomberg Municipal 5 Yr	473.30	0.2%	1.0%	2.0%
Bloomberg US Corporate	3,054.43	0.5%	2.9%	2.0%
Bloomberg Glb Agg ex US Hdg	538.44	-0.1%	3.3%	2.3%
Bloomberg High Yield	2,302.05	0.4%	5.3%	7.8%
MSCI US REIT Index	2,003.19	1.2%	4.6%	2.8%
Bloomberg Commodity Index	234.45	4.2%	-4.7%	-16.0%

	Last Price/Yield	Prior Week	Year End	Year Ago
Key Rates				
Fed Funds Target	5.25%	5.25%	4.50%	1.75%
3-Month Treasury	5.22%	5.24%	4.34%	1.49%
1-Year Treasury	5.21%	5.18%	4.69%	2.78%
2-Year Treasury	4.71%	4.60%	4.43%	3.09%
5-Year Treasury	3.98%	3.91%	4.00%	3.28%
7-Year Treasury	3.87%	3.83%	3.97%	3.28%
10-Year Treasury	3.76%	3.74%	3.87%	3.20%
30-Year Treasury	3.85%	3.88%	3.96%	3.25%

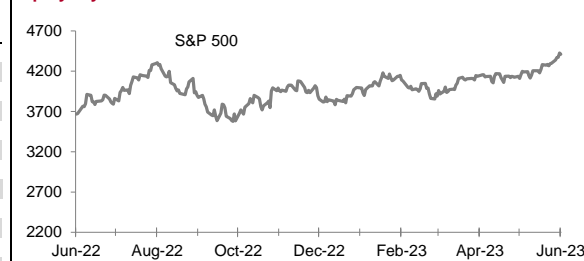
	Last Price/Yield	Prior Week	Year End	Year Ago
Consumer Rates				
30-Year Mortgage	7.00%	7.06%	6.66%	5.94%
Prime Rate	9.00%	9.00%	8.25%	5.50%
3-Month LIBOR	5.51%	5.54%	4.77%	2.06%

	Last Price	Prior Week	Year End	Year Ago
Commodities				
Gold	1,957.98	1,961.19	1,824.02	1,857.33
Crude Oil (WTI)	71.78	70.17	80.26	96.14
Gasoline	3.71	3.66	3.20	5.11
Natural Gas	2.63	2.25	4.48	5.43
Copper	3.90	3.80	3.81	4.15

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.14	19.20	4.42	2.08
S&P 500	20.15	19.72	4.22	1.59
S&P 500 Value	17.89	18.06	2.83	1.99
S&P 500 Growth	22.58	21.57	7.38	1.23
NASDAQ	30.15	34.61	5.55	0.84
S&P Midcap 400	15.16	13.39	2.22	2.07
S&P Smallcap 600	15.54	13.08	1.74	1.78
MSCI EAFE	13.60	13.45	1.66	3.31
MSCI Emerging Markets	13.60	12.52	1.59	2.93

Source: Bloomberg

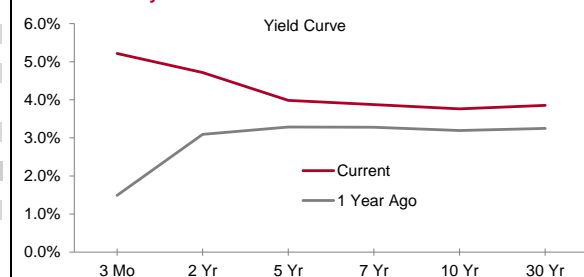
Equity Style



1 Month*			Year to Date*			
Value	Core	Growth	Value	Core	Growth	
Large	7.00	7.49	7.91	11.37	15.77	19.81
Mid	8.15	6.99	5.88	5.68	7.02	8.22
Small	7.89	8.11	8.28	3.96	4.94	5.84

*S&P Indices

Fixed Income Style



1 Month*			Year to Date*			
Short	Interm.	Long	Short	Interm.	Long	
Govt	-0.83	-1.38	-0.33	1.15	1.40	3.52
Corp	-0.31	-0.13	1.40	1.47	3.20	4.17
HY	1.28	1.44	2.00	5.02	5.34	4.39

*Bloomberg Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	4.0%	8.6%
CPI Core Inflation	5.3%	6.0%
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)	262	217
Change in Non-Farm Payroll (000's)	339	364
Average Hourly Earnings (YY % 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)	4,860	4,551
Retail Sales (\$ Bil)	687	676

	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	79.58	80.63
Markit US Composite PMI	54.30	53.60

	Last Release	Year Ago
U.S. General		
Leading Economic Indicators	107.5	116.9
Trade Weighted Dollar Index	119.8	118.9
EUR / USD	1.09	1.05
JPY / USD	141.82	132.21
CAD / USD	0.76	0.77
AUD / USD	0.69	0.70

S&P 500 Sector Returns

	1 Month	YTD
Communication Services	6.68%	36.77%
Information Technology	14.26%	41.57%
Consumer Discretionary	12.70%	29.87%
Consumer Staples	-1.79%	1.06%
Industrials	7.99%	7.82%
Materials	5.43%	5.61%
Real Estate	4.59%	2.79%
Health Care	1.04%	-2.30%
Financials	5.43%	-1.39%
Utilities	0.98%	-3.85%
Energy	4.98%	-6.64%

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