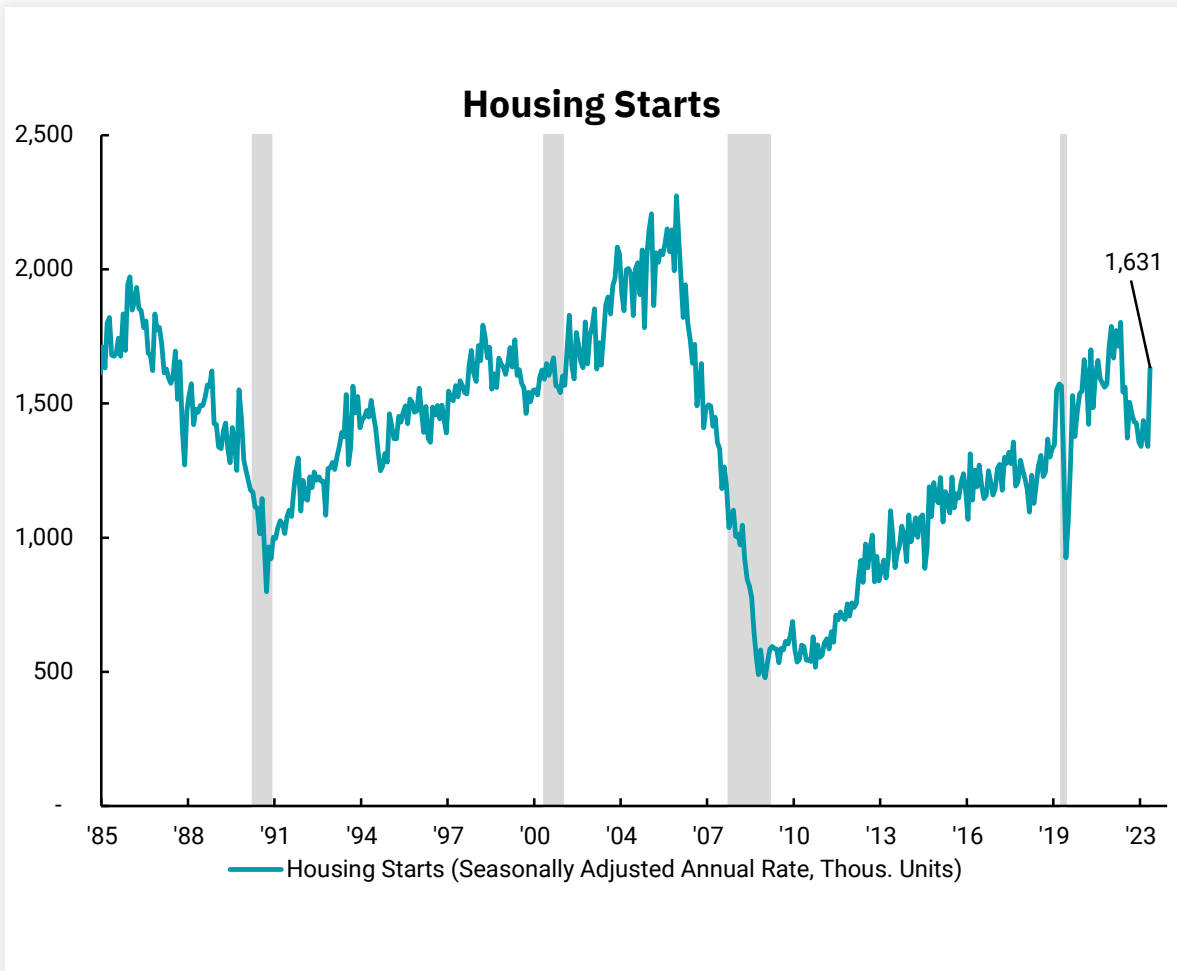


# Weekly market update



## Chart of the week (Jun. 23, 2023)



While not a huge part of the U.S. economy, the domestic housing market is an important economic barometer. In addition to the direct impact on employment and spending, housing activity and “household formation” impact a broad swath of economic sectors. Owning a home still is, at its base, a crucial part of the “American dream.”

Access to and the cost of financing are key variables influencing the housing market. Periods of higher unemployment or economic recessions mean access to credit can be more difficult, and periods of rising rates increase the cost of financing a house. So as the Federal Reserve began increasing interest rates in the face of higher inflation, it was not surprising to see housing starts dip. As we exited the pandemic, low interest rates decreased the cost of money, and with strong employment gains, we saw home prices rise rapidly. Inflation also increased the cost of building new homes, which led to price increases.

Recent reports have shown a surprising trend of housing starts rebounding even as home mortgage rates remain near 7% and publicly traded home builder stocks have rallied strongly this year. This might seem a bit counter-intuitive, but looking under the hood of the U.S. housing market reveals some reasons why this is happening.

Looking long term, we can see housing starts never fully recovered from the financial crisis/housing bust of 2007-2009. One could understand the slow recovery, but it means we have been “underbuilding” housing even as our population continues to expand. This chronic undersupply of new housing is one reason prices have not fallen as much as expected, given the huge upward move in mortgage rates.

Another reason for the improvement in starts and homebuilder stocks is the dearth of existing homes for sale. Bloomberg recently reported the number of homes for sale in the U.S. is at a record low. Why? Many homeowners took advantage of low mortgage rates available during the pandemic to refinance their homes, and home buyers during that period were able to finance their purchases at low rates; hence, selling a home now would mean financing a new purchase at today’s higher rates. This means current homeowners are reluctant to sell, reducing supply in the housing market. If existing homeowners are not selling, new construction is the only source of homes to buy. And although nationally home prices are down, recent data shows the demand for housing is still above its supply.

# Weekly market update



## Commentary (Jun. 23, 2023)

### Domestic Equities

- U.S. stocks broke a five-week winning streak with losses averaging 2%. The Russell 2000 Small-Cap Index, which had risen sharply throughout the month, was off closer to 3% this week.
- Shares of used car retailer CarMax jumped over 10% on Friday after reporting revenue ahead of expectations.
- Wayfair stock has been climbing after some analyst upgrades which cite benefits from the Bed Bath & Beyond bankruptcy.
- 3M settled a lawsuit related to releasing “forever chemicals” into water supplies. The stock rose on the news in hopes the settlement would curb future litigation.

### Bonds

- U.S. Treasuries were mixed, with the short-end and the belly of the curve shifting higher, whereas the long-end was marginally lower. This led the yield curve to invert further, with the spread between the 2- and 10-year maturities falling below -1% for the first time since March.
- Across corporate credit, investment grade bonds outperformed high yield, with AAA-rated credits posting the strongest returns.
- The Bank of England and Norges Bank surprised markets by hiking policy rates by 0.50%, with both central banks citing inflation concerns as the justification for the more aggressive policy action. The Swiss National Bank also hiked its main policy rate by 0.25%, in line with market expectations. Despite the jump in policy rates, long-term yields were mostly lower across the Eurozone, partly driven by weaker PMIs across the region.

### International Equities

- Global investors continue to digest mixed economic data amid mounting concerns from global central banks that inflation remains persistent, which is pushing policy rates higher and could hurt future economic growth.
- Foreign developed markets fell this week with weakness seen across most Pacific and European markets. U.K. stocks struggled as consumer prices rose by an annual 8.7% in May, while core inflation (which excludes food and energy) rose 7.1%, the highest rate since 1992.
- Emerging markets fell this week after three consecutive weeks of gains. Markets across Asia fell the most, with the largest markets, particularly China, falling the most. Investor sentiment towards China continues to deteriorate as Chinese policymakers face growing calls for economic stimulus, casting doubt about the economic outlook.

### Economics

- The National Association of Realtors report on existing home sales indicated a sales increase of 0.2% in May, totaling 4.3 million at a seasonally adjusted annual rate. Despite the monthly increase, existing home sales are 20.4% lower than in May 2022.
- The Conference Board Leading Economic Index for the U.S. declined 0.7% in May, the fourteenth consecutive monthly decline.
- The Department of Labor reported initial claims for unemployment insurance were 264,000 for the week ending June 17. Continuing claims were 1.76 million and have been slowly declining since peaking at 1.86 million on Apr. 8.
- The third estimate of first-quarter gross domestic product (GDP) will be released on Thursday, and consumer spending and personal income will be released on Friday.

## Weekly Market Update

For Week Ending June 23, 2023

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	33,727.43	-1.7%	2.9%	12.3%
S&P 500 Index	4,348.33	-1.4%	14.2%	16.5%
NASDAQ	13,492.52	-1.4%	29.5%	21.2%
S&P 400 Midcap Index	2,514.94	-2.5%	4.3%	13.5%
S&P 600 Smallcap Index	1,166.32	-3.2%	1.6%	6.2%
MSCI EAFE	7,231.35	-3.3%	9.8%	17.4%
MSCI Emerging Markets	510.04	-3.6%	4.9%	2.6%
Bloomberg US Agg	2,097.07	0.1%	2.4%	-0.3%
Bloomberg Municipal 5 Yr	474.16	0.2%	1.2%	1.7%
Bloomberg US Corporate	3,058.71	0.1%	3.0%	1.4%
Bloomberg Glb Agg ex US Hdg	540.43	0.4%	3.6%	1.7%
Bloomberg High Yield	2,284.70	-0.8%	4.5%	6.8%
MSCI US REIT Index	1,907.12	-4.8%	-0.4%	-6.1%
Bloomberg Commodity Index	228.45	-2.6%	-7.1%	-11.8%

	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Key Rates</b>				
Fed Funds Target	5.25%	5.25%	4.50%	1.75%
3-Month Treasury	5.29%	5.22%	4.34%	1.57%
1-Year Treasury	5.23%	5.21%	4.69%	2.72%
2-Year Treasury	4.74%	4.71%	4.43%	3.01%
5-Year Treasury	3.99%	3.98%	4.00%	3.15%
7-Year Treasury	3.87%	3.87%	3.97%	3.16%
10-Year Treasury	3.73%	3.76%	3.87%	3.09%
30-Year Treasury	3.81%	3.85%	3.96%	3.20%

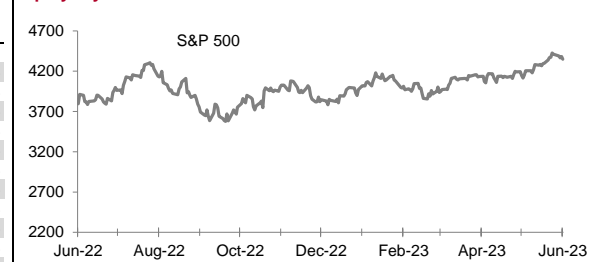
	Last Price/Yield	Prior Week	Year End	Year Ago
<b>Consumer Rates</b>				
30-Year Mortgage	7.06%	7.00%	6.66%	5.81%
Prime Rate	9.00%	9.00%	8.25%	5.50%
3-Month LIBOR	5.54%	5.51%	4.77%	2.20%

	Last Price	Prior Week	Year End	Year Ago
<b>Commodities</b>				
Gold	1,921.20	1,957.98	1,824.02	1,822.77
Crude Oil (WTI)	69.16	71.93	80.26	85.59
Gasoline	3.69	3.71	3.20	5.07
Natural Gas	2.73	2.63	4.48	4.85
Copper	3.82	3.90	3.81	3.78

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	17.87	18.88	4.38	2.11
S&P 500	19.95	19.44	4.19	1.61
S&P 500 Value	17.59	17.76	2.81	2.03
S&P 500 Growth	22.49	21.46	7.35	1.23
NASDAQ	29.81	34.12	5.53	0.85
S&P Midcap 400	14.67	13.07	2.16	2.09
S&P Smallcap 600	14.94	12.85	1.71	1.73
MSCI EAFE	13.12	13.29	1.63	3.36
MSCI Emerging Markets	13.09	12.26	1.55	2.98

Source: Bloomberg

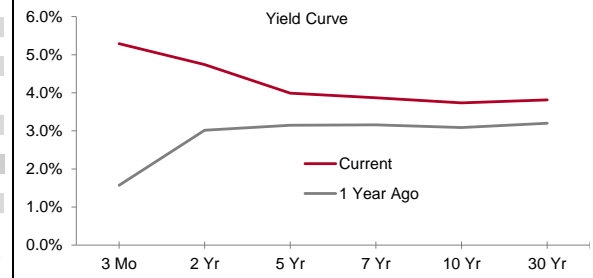
### Equity Style



1 Month*			Year to Date*		
Value	Core	Growth	Value	Core	Growth
Large 3.98	5.05	5.96	Large 9.18	14.18	18.77
Mid 3.24	3.07	2.90	Mid 2.47	4.32	6.02
Small 0.87	1.42	1.93	Small 0.41	1.60	2.72

\*S&P Indices

### Fixed Income Style



1 Month*			Year to Date*		
Short	Interm.	Long	Short	Interm.	Long
Govt -0.39	-0.53	2.13	Govt 1.19	1.48	4.15
Corp -0.04	0.57	2.59	Corp 1.53	3.29	4.46
HY 0.79	0.68	1.58	HY 4.78	4.54	3.97

\*Bloomberg Indices.

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	4.0%	8.6%
CPI Core Inflation	5.3%	6.0%
Personal Consumption Exp (PCE) Core	4.7%	5.0%
<b>Jobs</b>		
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)	264	216
Change in Non-Farm Payroll (000's)	339	364
Average Hourly Earnings (YY % Change)	4.3%	5.5%
<b>Consumer &amp; Spending</b>		
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
<b>Housing</b>		
Housing Starts (000's)	1,631	1,543
Case-Shiller Home Price Index	297.08	295.12
<b>U.S. Productivity</b>		
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	53.00	52.30
<b>U.S. General</b>		
Leading Economic Indicators	106.7	115.9
Trade Weighted Dollar Index	118.9	120.6
EUR / USD	1.09	1.05
JPY / USD	143.70	134.95
CAD / USD	0.76	0.77
AUD / USD	0.67	0.69

### S&P 500 Sector Returns

	1 Month	YTD
Information Technology	9.86%	38.71%
Communication Services	3.65%	35.74%
Consumer Discretionary	11.03%	29.84%
Industrials	5.25%	6.05%
Materials	4.00%	3.56%
Consumer Staples	0.54%	0.69%
Real Estate	0.59%	-1.28%
Health Care	2.00%	-2.05%
Financials	1.93%	-3.38%
Utilities	-0.51%	-6.34%
Energy	-2.76%	-9.86%

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