Weekly Market Report

Friday, March 3rd 2023

INDEX PERFORMANCE

Index Name	WTD %CHG	YTD %CHG
DOW JONES	1.658%	0.644%
NASDAQ	2.519%	11.613%
S&P	1.823%	5.285%
FTSE	2.356%	9.704%
APAC EX JAPAN	3.604%	4.708%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	2.285%	12.681%
Information Technology	2.767%	12.905%
Real Estate	1.307%	5.274%
Consumer Discretionary	1.601%	13.579%
Materials	4.492%	10.300%
Financials	0.527%	6.032%
Industrials	3.251%	7.813%
Health Care	0.823%	-3.693%
Consumer Staples	-0.180%	-1.545%
Utilities	-0.838%	-5.882%
Energy	3.275%	0.371%

Market Summary

Equities:

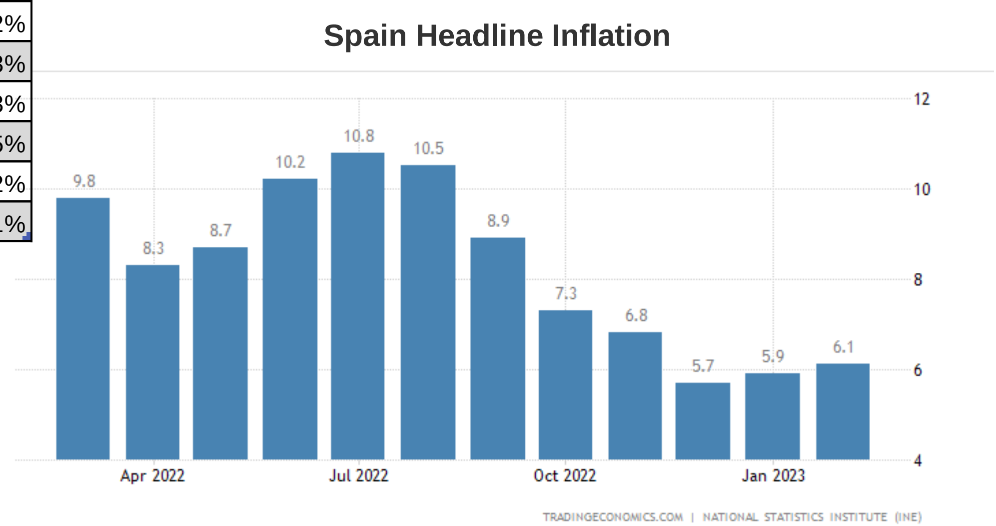
The US equity bulls were back after a 3-week hiatus on a renewed outlook of a possible soft landing for overall economic conditions. Even still, equity traders allocated most aggressively into defensive names such as materials (+4.32% WoW) and industrials (+3.12% WoW), though cyclical names such as infotech (+2.72% WoW) also caught a substantial bid. Our domestic volatility index (VIX) traded below the key technical of 20 in the first week of March, showing signs of conviction at current market levels. Rounding out the week we have our first gain for US equities on WoW basis for the first time since early February as the S&P 500 traded up % and the NASDAQ followed suit gaining %.

Fixed Income:

On the week, US government debt rates traders held yields in check across the curve after the last month's aggressive move upward. The US 2 yr moved up only 5 bps to 4.85% at the week's close, while the 10-year bond moved north by only 4 bps to finish at 3.96%. The curve remains inverted at historical levels though this week showed the two bonds move nearly in unison. Corporate debt traders moved the option-adjusted spread of the US high-yield market slightly lower to 420bps as corporations, especially in the services sector, reported strong results. Yields on investment-grade credit are now at 5.7% for the broad market measure as it nears 22' highs of over 6%. In summary, rates traders took much of the hawkish rhetoric into account through February and left yields essentially alone this week as economic data came in mixed.

Economy:

This week's macroeconomic trends continued off last week's themes of hotter economic data and sticky inflation. But, this time, the inflation prints came across the Atlantic in key Euro area economies. For example, France's YoY inflation figures in February surprised the upside at +6.2% vs. +6% forecasts. Within that number, services, and food stood out as the key drivers of the overall statistics. However, a bright spot that did show up in the print was a slowdown in the pace of increase for energy costs. This slowdown in the speed of energy inflation is a significant event as, over the last year, the angst in the overall economic backdrop for Europe was the cost of energy. Moving to another country in the Euro area, Spain reported their inflation data on the same day to an even more aggressive upward surprise. For February, their headline inflation print rose +6.1% vs. estimates of +5.6% on higher food costs. Before February's print, the inflation trajectory in the Eurozone was relatively consistent to the downside. The reversal, even if only a month, will likely result in the ECB going higher on their interest rate targets. Shifting focus back stateside, several surveys across economic areas such as manufacturing, services, and goods painted a mixed image for investors. To start, ISM manufacturing PMI reported a recessionary/contractionary figure of 47 vs. estimates of 48.5. Weakness in the manufacturing sector has been consistent for some time now as rates have taken a bite out of consumer demand for goods. On the other hand, Friday saw a release of ISM non-manufacturing survey stats that were released to an upward surprise. The PMI came in at 55.1 vs. estimates of 54.5 as managers noted new export orders driving up their overall conditions in the market. The main take away from this figure is that the services sector in the economy is showing no signs of slowing, while the goods sector sees recessionary signals due to higher rates.



Trend Reversal

- Spain's inflation figures reversed and began a new upward trend with a reported increase of +6.1% YoY.
    - Energy costs continued to subside though food costs spiked as well as parts of the services sectors.

Citations

Graph: https://tradingeconomics.com/united-states/inflation-cpi

Data with write up: Trading Economics for Macroeconomic figures

Yahoo Finance for index pricing

MoM: Month over month
YoY: Year over year
FED: US Federal reserve
QoQ: Quarter over quarter
FOMC: Federal Open Market Committee