Weekly Market Report

Friday, March 31st 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	3.070%	0.241%
NASDAQ	3.307%	16.705%
S&P	3.389%	6.930%
FTSE	4.460%	9.848%
APAC EX JAPAN	1.453%	4.569%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	2.110%	17.094%
Information Technology	3.321%	20.306%
Real Estate	4.772%	0.085%
Consumer Discretionary	5.232%	14.967%
Materials	4.515%	4.189%
Financials	3.549%	-6.189%
Industrials	4.071%	4.002%
Health Care	1.680%	-4.128%
Consumer Staples	2.270%	0.882%
Utilities	2.676%	-4.167%
Energy	6.034%	-5.970%

Market Summary

Equities:

Equity traders caught a risk appetite mood this week, highlighted by the tech-centric NASDAQ 100 returning into bull market territory with a +20%. All 11 S&P 500 sectors finished in the green this week, with Energy catching the most significant bid and ending up +5.87%. Much of the upward move was centered around a calmness in the regional banking issues that plagued the last few weeks in financial markets. As a result, equity volatility, measured by the VIX, dissipated below $20 after weeks of elevated levels and significant swings. An important note to highlight was the late-week upward move in markets that was broad-based as lower-than-anticipated inflation prints were reported. Overall, the S&P 500 gained + % followed closely by the Nasdaq composite, which gained + %.

Fixed Income:

Calmness also entered the rates market after weeks of oppressive volatility, especially in the short end of the sovereign treasury curves. The US 2 yr bond did trade and closed the week above 4% after hitting 3.75% in the previous week. As a result, the 2vs10yr spread widened once again to 50bps. Corporate credit spreads came back in slightly on the high-yield spectrum closing the week at 470bps vs. the previous week at 510bps. A narrowing in these spreads reflects a risk appetite that aligns with equity markets' recent rally. Effective yields in the broad-based Investment Grade market are now at 5.4%. All in all, spreads and products came in as investors bought in, raising prices.

Economy:

This week, investors had limited hard domestic economic data releases to consume though there was still some vital pricing information from the US and EU. Beginning early in the week, S&P January's home price index released to a downward surprise at +2.5% YoY vs. estimates of +3.7%. This figure at +2.5% marks the 10th month in a row of declines from its 2022 April peak of +21.3%. Reducing the cost of housing/shelter is a welcomed trend for FED officials as that has been the stickiest element for CORE inflation in the US. Also, on the housing front, pending home sales pulled back on an MoM basis to +.8% in February vs. the previous month's reading of +8.1%. Shifting gears to a solid gauge for the overall global demand picture, let us look at the Oil market as of recently. Brent crude has steadily declined this year, falling nearly -8.5% as of the close 3/31/23, highlighting the reduction in the overall need for the vital input costs for the global macro picture. As this essential commodity and others, along with its fall from their 22' peaks, it lends itself as a precursor for the direction of inflation, particularly in the goods sector. On the inflation front, the Euro-area released their figures for March at +6.9% YoY on headline inflation. This inflation figure is far off estimates that stood at 7.4% and marked a continued downward trend for the 5th consecutive month. The energy cost was a critical component that came in deflationary on an MoM basis, reporting a reduction of -.9%. A figure that stood out reported from the German economy was import prices falling by -2.4%. Another bright spot on the inflation front shined through the US PCE data. US PCE data for March was lower than forecasted at +.3% MoM vs. forecasted numbers of +.6%, following suit with other inflation data points trending lower globally. Overall, the limited hard economic data released was positive for a reduction in inflation.

CBOE VIX Index

Volatility Index for the S&P 500

The CBOE Volatility Index® (VIX®) shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. This volatility is meant to be forward looking and is calculated from both calls and puts. The VIX is a widely used measure of market risk and is often referred to as the "investor fear gauge.

Citations

Graph: https://fred.stlouisfed.org/series/QBPBSTAS
Data with write up: Trading Economics for Macroeconomic figures
Yahoo Finance for index pricing
Thompson Rueters

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