Weekly Market Report

Friday, April 7th 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	0.250%	1.020%
NASDAQ	-0.290%	15.490%
S&P	0.110%	6.900%
FTSE	1.400%	11.050%
APAC EX JAPAN	-0.340%	4.615%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	1.100%	19.222%
Information Technology	-0.690%	18.932%
Real Estate	0.150%	-0.109%
Consumer Discretionary	-2.110%	11.898%
Materials	-59.000%	2.761%
Financials	0.330%	-6.866%
Industrials	-1.560%	0.394%
Health Care	1.850%	-1.193%
Consumer Staples	0.590%	1.775%
Utilities	3.290%	-0.952%
Energy	-0.140%	-3.381%

Market Summary

Equities:

Equity markets had a shortened week in observance of Good Friday but, before that, trading in a round-trip manner on the index level. Soft survey data pointing to an ever-slowing economy by the FED's aggressive rate hike path put investors slightly on their heels, prompting a sell-off in the large-cap tech sector. From this, investors shifted into a more defensive posture, highlighted by Utilities (+3.32% WoW) and Healthcare (+1.98% WoW), catching the most substantial bid. From an overall sector perspective, the main laggard on the week was consumer discretionary (-2.03% WoW); as investors became skittish, the consumer may start to pull back due to weaker demand. Volatility came more in check this week, with the VIX trading down to 18.50 after prior weeks of higher volatility. Rounding out the week, the S&P 500 gained +.11%, and the NASDAQ 100 shed -.29%.

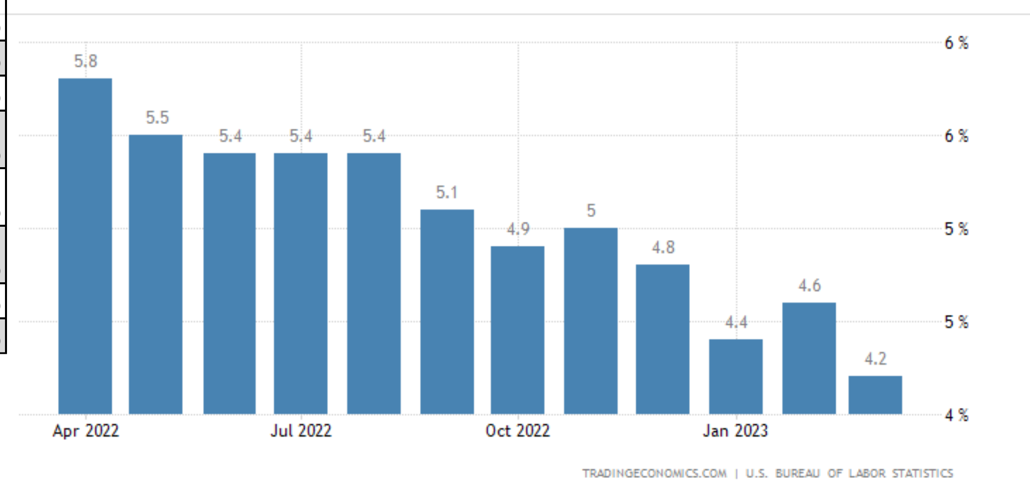
Fixed Income:

Fixed-income traders took on a fight against soft economic data and traded down yields all across the sovereign debt curve only to revert the change after a strong jobs report for March. After weak ISM data, the 2 yr US bond fell to 3.6% intraday, and the longer-dated bond broke through 3.4% to 3.25%. However, much of this was reversed after the positive jobs report resulted in a sell-off across both long and short-dated treasuries, which finished near last week's closing yields. Corporate credit spreads remained in check with high yield holding in and around 480bps. Touching on volatility, the MOVE index remained elevated when measured against historical values at $147. In summary, volatility is the one constant for the bond market this year, as traders are swinging around some of the most stable markets with ever-changing data coming in.

Economy:

On a shortened trading week for the equity markets, the overall macro economy saw several vital data points emerge. This week's key theme was the domestic labor market picture and surveys from the manufacturing and services sector of the economy. Beginning right on Monday, ISM (Institute of Supply Management) surveys were released to a downward surprise all across the board. Their purchasing managers' index for the manufacturing industry fell into contraction territory to 46.3 after estimates expected 49. Decreasing output in the sector has been shown through this survey for the better part of a year, as the steady decline began last May of 2022. In addition, a deflationary signal shined through the collection of surveys in the prices paid index. For March, manufacturing prices dropped to 49.2 vs. estimates of 51. This survey captures input costs into the domestic manufacturing industry from a purchasing manager's perspective. Lastly, on the survey side, investors received manufacturing employment figures that came in the weakest of all, with a reported figure of 46.2 vs. estimates of 50. The sharp decrease marks a stark slowdown not seen since the pandemic. Shifting our focus to the non-manufacturing sector, the ISM non-manufacturing sector survey also fell sharply off estimates in March to 51.2, just slightly out of the contractionary territory of 50. Finishing up with the survey summary, we can highlight the sharpest miss of forecasters' estimates. New orders in the Non-manufacturing sector plummeted to 52.2 vs. 62.5 estimates. Hard data came in later in the week with "Jobs Friday" which was released slightly in contrast to the sharp slowdown signaled by the poor survey reports. Non-farm payrolls reported roughly in line with estimates gaining +236k jobs in March. The Unemployment rate held steady and dropped slightly to 3.5% vs. the month prior, 3.6%. Average hourly earnings dropped to +4.2% YoY vs. estimates of 4.5%. This dynamic in the hard employment data shows a positive sign for the FED: hourly earnings are dropping while employment remains strong for the broad domestic economy.

US Average Hourly Earnings: March



<u>Lower Pace of Hourly Earnings</u>

Wage inflation has been a main aspect for the FED to work and bring down as it is considered one of the stickiest elements of inflation.

- This reduction in the overall increase of wage inflation is a welcomed sign for policy makers.

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