Weekly Market Report

Friday, April 14th 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	1.218%	2.251%
NASDAQ	0.225%	15.752%
S&P	0.744%	7.711%
FTSE	2.306%	13.618%
APAC EX JAPAN	0.103%	4.723%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	0.449%	19.757%
Information Technology	0.037%	18.976%
Real Estate	-1.517%	-1.625%
Consumer Discretionary	1.416%	13.483%
Materials	1.595%	4.401%
Financials	2.466%	-4.569%
Industrials	2.454%	2.858%
Health Care	0.836%	-0.367%
Consumer Staples	-0.077%	1.697%
Utilities	-1.363%	-2.302%
Energy	2.321%	-1.138%

Market Summary

Equities:

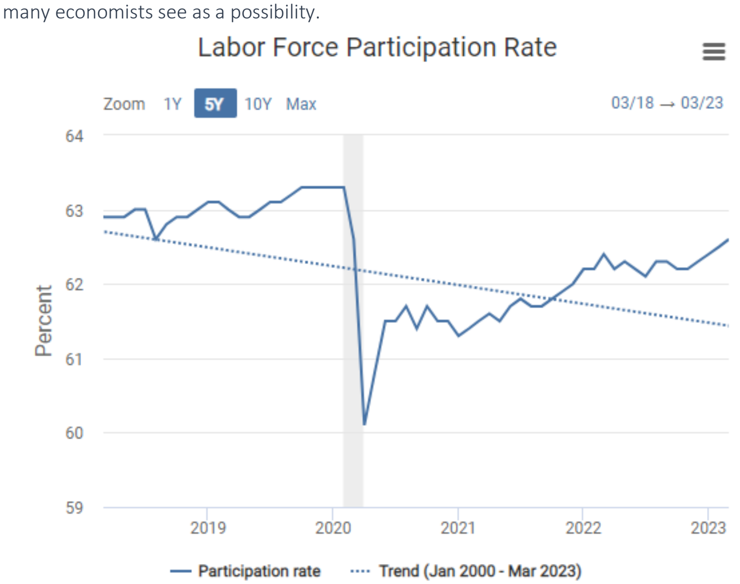
Equity traders shifted their positions around plenty of macro data and a few critical earnings from the stressed banking sector. First, large banking institutions reported earnings on Friday to a positive surprise due to a two-prong revenue stream of increased deposits and increased trading revenue. This positivity showed through in the stock prices as financials gained the most amongst its peer sectors on a WoW basis at + %. Laggards on the week were in the utility sector, seemingly from a rotation out of that more defensive posture. Volatility continued its descent, represented by the VIX, which closed the week below $18, last seen in 2021. Finally, on an index level, the S&P 500 gained + % only to be outpaced by the value-heavy Dow jones average gaining + %.

Fixed Income:

Fixed income markets weren't as calm as the equity markets this week as the sovereign debt market bounced around aggressively on the short end. As economic data rolled in, showing positive signs in the inflation fight and more negative signs of overall domestic growth, the US 2-year bond swung 20bps trough to peak intra-week as it yielded as little as 3.9% up to 4.1%. Longer out on the curve also broke through some key resistance as the US 10-year moved over 3.5% toward the end of the week. On the corporate credit end, spreads were slightly impacted by the better-than-anticipated conditions amongst the larger banking institutions. The broad high-yield market hit 462 bps after nearing 500 in the last few weeks, and the IG market is now holding the first 140bps for the broader index. Bond traders dealt with positive inflation data points but continued weakness in overall economic demand.

Economy:

A lot to get into this week as investors went through a deluge of economic data points and commentary from a vital Internation Monetary Fund conference. The NFIB business optimism index was first on the list with a below-49-year average reading of 90.1. Estimates for the figure were right around 90, so not much of a surprise, but overall conditions are contractionary if you measure against relative long-term averages. On Wednesday, US inflation came in softer than anticipated on the headline figure. March headline inflation increased at +.1% MoM and sits at +5% YoY vs. estimates of +5.3%. Energy came in the softest, decreasing by -3.5% MoM, while shelter remains sticky at +.6% MoM. Shifting to the CORE figure, which strips out volatile goods and services, we saw a more inline reported number at +5.6% YoY, mirroring estimates. Used cars and medical care services continue to trend lower while transportation services offset that decline with a tick up on an MoM reading. Following this trend in lower inflation figures was the subsequent release of US PPI (Producer Price Index) on Thursday. Month-over-month PPI showed deflationary signs at -.5% helped immensely by lower gasoline costs. A real surprise showed underneath the figure as well with services costs falling. Services costs generally align with wage costs, a thorn in the side of monetary policy boards fighting against inflation. Now to focus on some of the commentaries from the IMF conference. Forecasters for the fund are now expecting global growth to slow to +2.8% this year which is below the trend. Much of their citation for the slowdown centers around lower-income households feeling a substantial burden for increased prices for necessities. As a result, services spending is expected to contract due to more of their wage going to these goods needed for daily life. Finally, US retail sales came out on Friday lower than anticipated. -1% MoM reading for the headline figure was off estimates, pegged around +.5%. This week followed a similar trend from the last few in showing a slowdown of overall economic conditions aiding the fight against inflation but stoking the overall recession fire many economists see as a possibility.



<u>Bucking the Trend?</u>

- US Labor Force Participation has begun to tick up in recent quarters bucking the long term downward trend set over the last 20yrs
  - Currently the rate sits at 62.6% which is above pandemic lows of 60

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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