Weekly Market Report

Friday, April 21st 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	-0.318%	1.905%
NASDAQ	-0.546%	15.199%
S&P	-0.222%	7.525%
FTSE	0.539%	14.322%
APAC EX JAPAN	-1.710%	2.933%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	-2.597%	16.717%
Information Technology	-0.673%	18.284%
Real Estate	1.503%	-0.085%
Consumer Discretionary	0.599%	14.250%
Materials	-0.630%	3.784%
Financials	1.253%	-3.336%
Industrials	0.708%	3.625%
Health Care	0.134%	-0.226%
Consumer Staples	1.771%	3.503%
Utilities	1.075%	-1.317%
Energy	-3.000%	-4.032%

Market Summary

Equities:

Equity traders shifted their positions around the beginning of Q1 23' earnings season, which kicked off with the financial sector providing mixed results. A large swath of these earnings were better than anticipated in the larger institutions and the overall industry for the week traded higher (+1.25% WoW). Communication services was the sector that shed the most, falling (-2.59% WoW). Volatility remained subdued, with the VIX trading at a $16 handle for a large portion of the week. As a result, there was a lack of substantial directional moves in the overall broad-based indexes. Going into next week there is a potential to see higher volatility due to several mega-cap tech firms, which weigh heavy on the indexes, report their earnings. Rounding out the price action, we saw the S&P 500 shed -.22% and the Nasdaq 100 follow suit losing -.54%.

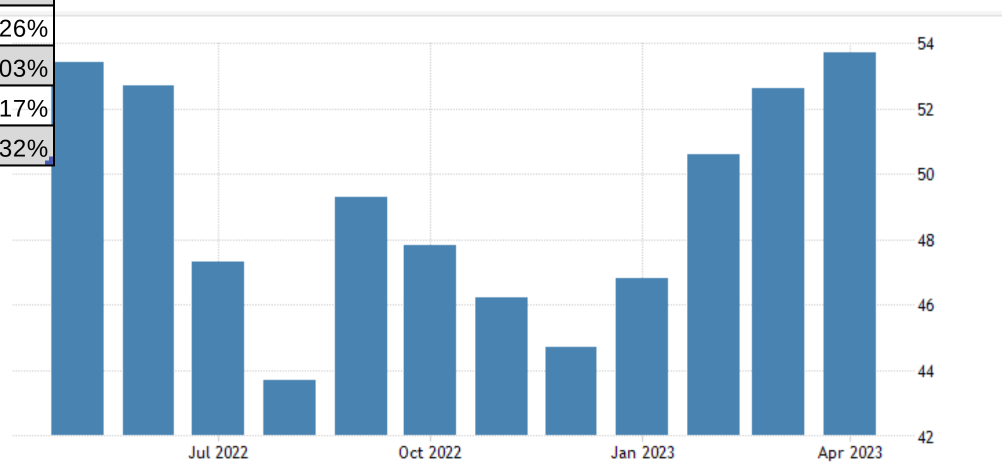
Fixed Income:

Bond markets traded around sticky inflation overseas and increased jobless claims stateside. US short-term debt has settled down as of recently after the sharp swings we saw in March, with the 2yr now trading at 4.1% after weeks below 4%. However, the treasury curve is still inverted as the 10yr now sits at 3.5%, making the inversion around 60bps. Across the pond, UK's 10yr bond touched YTD highs of 3.75% with higher inflation reported. US corporate debt in the high-yield market also saw some relief as the option-adjusted spread in the broad HY market fell to 440bps. Money market funds, the shortest debt available, are now trading at a yield of around 4.5%, drawing historic inflows with a current balance of over 5 trillion. Overall, investors sold off the shorter end of the curve in several sovereign markets and held longer yields in check.

Economy:

This week's macroeconomic data mainly came from overseas economies, where we saw inflation stay sticky and economic activity remain positive. Starting with the UK inflation print, investors saw an above-consensus reading of +10.1% YoY on the headline figure. Month over a month showed the aggressive spike at +.8%, which economists say stemmed from increased housing and utilities costs. That segment alone rose 26.1% YoY while transportation costs slowed to a benign pace of +.8% YoY increase. One positive element of the figure is that it shows inflation is trending downward, as Oct 22' marked the peak of +11.1%. However, stagflation elements shine through as UK growth is expected to slow more aggressively than other developed economies in the quarters ahead. Shifting focus back, several financial sector companies reported a mixed earnings picture. The large institutions gained significant deposits due to the regional banking tremors that waved through the sector late in Q1. Those same regional banks, though, did work to stem further outflows after the initial shock to the system. Loan loss reserves spiked after tighter credit conditions as a notable credit card company for affluent individuals increased their provisions by 35% in 2 quarters. These stricter credit conditions are now seen as affecting the broader economy later this year, with the FED forecasting a recession. Another element that has the potential to lead to this slowdown is the sharp rise of deposits in money market funds, where investors and consumers are now flocking to short-term paper yielding more than traditional savings accounts. Investors digested US jobless claims off the back of these earnings in the financial sector. For the week ending Apr 15, 245k workers in the US economy reported losing their jobs in line with estimates and continuing a trend of over 200k since late January. In summary, macro conditions across the pond continue to battle with higher inflation; meanwhile, stateside conditions appear to be slowing, highlighted by the financial sector earnings.

US S&P Services PMI



<u>Services PMI Trending Up</u>

- US Services PMI is now in a 4th mont of upward trend reporting a 53.7 figure after estimates had it flattening out near 51.5.
  - Services strength could prove an issue for the FEDs fight against wage inflation as its more prevalent in that segment of the economy.

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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.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted index of 30 "blue-chip" industrial U.S. stocks.

***NASDAQ Composite Index**: The NASDAQ Composite Index measures the market value of all domestic and foreign common stocks, representing a wide array of more than 5,000 companies, listed on the NASDAQ Stock Market*

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