Weekly Market Report

Friday, April 28th 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	0.595%	2.603%
NASDAQ	1.018%	16.519%
S&P	0.646%	8.353%
FTSE	-0.016%	14.358%
APAC EX JAPAN	-0.105%	2.871%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	2.644%	19.891%
Information Technology	1.293%	19.927%
Real Estate	0.923%	0.788%
Consumer Discretionary	0.148%	14.405%
Materials	-0.385%	3.467%
Financials	-0.676%	-4.025%
Industrials	-0.528%	3.208%
Health Care	-0.961%	-1.161%
Consumer Staples	0.887%	4.453%
Utilities	-1.077%	-2.393%
Energy	0.326%	-3.529%

Market Summary

Equities:

Equities traders swung overall indexes and heavy market cap names aggressively as key economic data and earnings were reported. The majority of large-cap technology reported this week to an overall upward surprise. Investors took that and bid up the technology sector and communication services by 1.29% and 2.65% WoW, respectively. Defensive sectors took a hit as utilities fell -1.26% WoW, with investors allocating positions to growth-oriented segments of the market. Volatility measured by the VIX index continued its descent and closed the week at near $16. Something to note is the S&P 500 current YTD gains are attributed to 8 out of 500 names in the index. The S&P 500 gained .64% on the week, and the Nasdaq rose 1.02%.

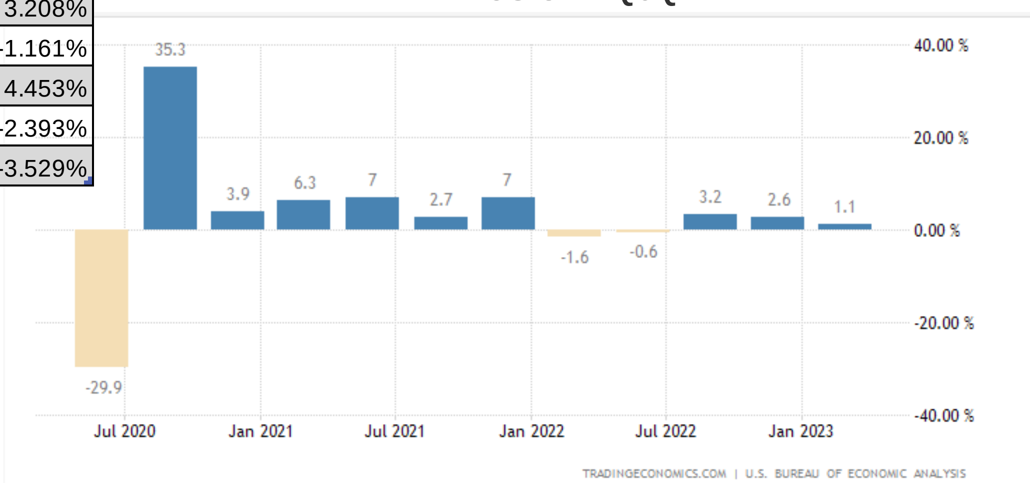
Fixed Income:

Fixed-income traders moved around the yield curve through macro data that brought further mixed views on whether a possibility for a soft landing is possible for the US economy. The short end of the curve, 2-year bond, traded between 3.85% and 4.15% swinging 30bps. Longer-dated 30-year US bonds fell to 3.67% as traders moved into safety. As it stands the overall treasury curve is still inverted, with the 2 vs 10-year spread hovering around 60bps. Corporate credit conditions largely stayed in check with the broad high-yield market option-adjusted spread at 450bps and are now yielding 8.22%. Overall, credit conditions remained volatile in sovereign debt markets, and yields generally remained unchanged WoW after aggressive swings.

Economy:

This week, a deluge of hard economic data points and structurally significant earnings from companies poured onto investors' desks. High-level, earnings in interest rate-sensitive segments of the market held up better than anticipated, while hard economic data showed clear signs of stress in the underlying economic conditions. Diving into the numbers, let's begin early in the week with the Richmond FED services index that surprised starkly to the downside with a reported reading of -23 vs. forecasts of +2. The demand segment of this index took the most substantial hit showing a level of slowing in consumer appetite to spend on services not seen in several years. Next up, on Wednesday, March, retail inventories reported a +.4% increase showing some level of build-up there. Coinciding that report, March durable goods orders were bright at +3.2% MoM vs. estimates far lower, around +.6%. This rise in new orders inherently shows demand from the beginning of the supply chain holding up stronger than expected. Shifting the focus to earnings, as that can be live bell weather reading for overall macro conditions, investors saw several robust reports for the first quarter. First, the ability of companies to pass on costs and keep margins strong has been a critical element for equity strategists to see and this was seen in a number of consumer goods firms. Next up to highlight was the ad revenue and cost-cutting that the tech sector giants achieved in Q1 23'. Their ability to hold revenue stable against forecasts while operating more efficiently is a positive sign for the FED, as their goal is to slow wage growth to dampen price pressures. Finally, US Q1 23' GDP reported a downward surprise of +1.1% QoQ vs. forecasts closer to +2% QoQ. Consumers held the US economy up in growth territory, spending more than anticipated, which helped offset fixed investment growth that slowed aggressively in Q1. Overall, elements/sectors within the US economy are at starkly different stages, and certain elements offset weaker sides of the economic landscape.

US GDP QoQ



<u>US GDP Showing Signs of Stagnation</u>

- US GDP growth now on a 3 month trend downward after 2 quarters of negative growth last year.
    - Most of the growth this quarter came from consumer spending offsetting domestic investment which fell sharply.

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