Weekly Market Report

Friday, May 5th 2023

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	-1.210%	1.624%
NASDAQ	0.194%	17.043%
S&P	-0.667%	7.870%
FTSE	0.173%	14.683%
APAC EX JAPAN	0.525%	3.504%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	-2.659%	17.058%
Information Technology	0.624%	21.086%
Real Estate	-0.372%	0.618%
Consumer Discretionary	-0.531%	13.834%
Materials	-0.828%	2.767%
Financials	-3.657%	-7.325%
Industrials	0.053%	3.291%
Health Care	0.399%	-0.536%
Consumer Staples	-0.244%	4.416%
Utilities	-0.100%	-2.465%
Energy	-5.302%	-8.691%

Market Summary

Equities:

Equity markets had more than their fair share to digest this week. To name a few elements, traders contested two critical monetary policy decisions and the back end of earnings season on both sides of the pond. On a sector level, the banking/financial industry faces continued heavy pressure from speculative trading and shed -3.65% WoW though the energy sector fell the most, down -5.3% WoW on worries of an economic slowdown. On the other hand, defensive sectors such as health care rose +.1% WoW held up the best in a more uncertain week of trading. After the deluge of data and policy decisions came in, volatility rose as a result, with the VIX touching intra-week highs of over $20. Rounding out the week, the S&P 500 shed -.66% and the Nasdaq composite gained +.19%.

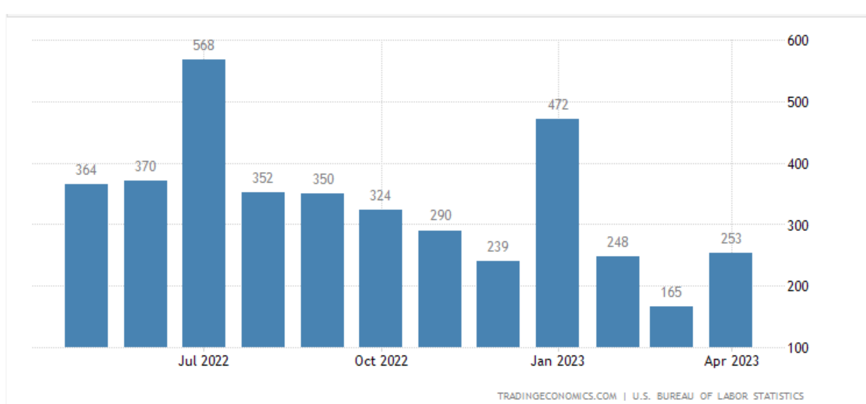
Fixed Income:

Similarly, to equity traders, bond traders faced the same level of uncertainty mainly due to the policy decisions and commentary around both. US sovereign yields fell sharply after a slightly doveish tilt to the FED's policy increase of 25bps, with the short end of the curve, the 2-year bond, falling below 3.7% intra-week before settling at 3.9% at the weekend. The longer US 10-year bond also fell below the support level of 3.5% after trading north of 3.6% before the FED meeting. Corporate credit spreads slightly blew out to 480bps in the high-yield market as a credit crunch is anticipated due to banking sector stress. The bond volatility index, MOVE, also jumped to $140, marking a 15% increase WoW. On the whole, bond traders moved yields down and traded around increased volatility.

Economy:

Investors and market participants tuned into the most critical macro event of the week, the US FOMC meeting on Wednesday. Anticipation for the decision was a 25bps increase to the FED FUNDs rate. However, pundits highly debated whether the commentary from the press release and post-decision press conference would be hawkish or doveish. Once the decision was released at the expected 25bps, there was a slight dovish tilt to the wording as the FED president cited a slowdown in the interest rate-sensitive sectors of the economy. On the other hand, Powell did note that labor market dynamics remain constrained as there is a spread between the number of open positions and available workers to fill the openings. That dynamic seemingly stayed intact for April as on Friday, 2 days following Powell's labor market comments; US Job figures were released to an upside surprise once again. On the headline figure, unemployment is now back down to 3.4% vs. estimates of 3.6%. Nonfarm payrolls increased in April by 253k vs. 190k estimates, where the services sector in professional and business segments gained 40k workers. Average hourly earnings jumped .5% MoM and 4.4% YoY showing elements of the remaining wage inflation in the system, which hinders the FEDs fight against overall price pressures across the economy. ADP private business jobs figures also came in very strong at +296k jobs added. ADP's reading showed a significant spike in the leisure and hospitality sector, where businesses cited anticipated activity for the summer months. On the other side of the pond, the ECB had their interest rate decision released on Friday, where they mirrored the FEDs increase of 25bps. Commentary from their president, Lagarde, came across as more hawkish than her counterpart primarily due to the improving economic conditions across a large swath of the continent. This dynamic between the two most influential monetary policy committees will be closely monitored by investors as foreign exchange and overall economic activity will be significantly affected by the two decisions. Overall, macro news on a hard data front remained strong in the labor segment, while monetary authorities attempt to mitigate inflation through increased cost of capital.

US Nonfarm Payrolls



Trendy Back Up

- US Nonfarm payrolls reverted its decline off of January's peak and gained 253k jobs in April.
  - This strong labor market is hindering the FEDs fight against inflation though proving a positive for overall GDP growth.

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
FOMC: Federal Open Market Committee