

Weekly Market Report

Friday, May 12th 2023



INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	-1.325%	0.244%
NASDAQ	0.120%	17.041%
S&P	-0.580%	7.104%
FTSE	-1.683%	12.716%
APAC EX JAPAN	-2.848%	0.571%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Communication Services	1.943%	19.283%
Information Technology	-0.355%	20.475%
Real Estate	-1.374%	-0.764%
Consumer Discretionary	0.064%	13.985%
Materials	-2.180%	0.452%
Financials	-1.565%	-8.739%
Industrials	-1.145%	2.119%
Health Care	-1.208%	-1.786%
Consumer Staples	-0.285%	4.155%
Utilities	-0.174%	-2.510%
Energy	-2.182%	-10.925%

Market Summary

Equities:

Equity investors are now at the tail end of Q1 earnings season and past the most recent FED meetings. Markets moved north in the communication sector (+1.94% WoW) and the consumer discretionary (+.06% WoW) sector on solid earnings. On the other hand, energy continued its downward trend from a sector perspective as it fell most amongst its peers, shedding -2.18% WoW. Volatility measured by the VIX index remained in check much of the week as pricing data aligned with estimates, not shocking investors or causing a structural shift in positioning. Summarizing the price action, the S&P traded slightly lower and shed -.58% while the Nasdaq composite gained +.12%.

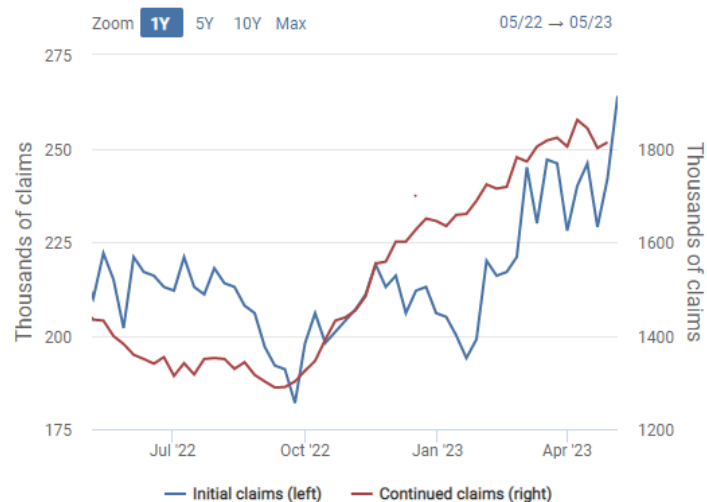
Fixed Income:

In bond land, traders reacted more to the macro data released this week on pricing. The short end of the curve in the US treasury market (2 year bond) fell once again below the vital support yield of 4% after inflation data did not surprise the upside. The longer 10-year bond also fell, holding the inversion at 50bps for the closely monitored 2 vs. 10 yr spread. Corporate debt saw several large investment-grade issuers come to market for capital raised which inherently shows some stability in the overall rates picture. High-yield debt spreads traded slightly higher to 480bps and are now yielding on the broad index near 8.4%. Overall, yields fell stateside on a subdued inflation picture while riskier debt saw their spreads slightly widen due to deteriorating growth prospects for the economy.

Economy:

This week filled investors' screens with critical inflation data, several FED presidents discussing policy decisions, and other vital macroeconomic data points/events. Beginning with pricing data in the US, much of the sentiment around the reported figure was that it came in line with the anticipated forecasts. Headline inflation for April increased +4.9% YoY and +.4% MoM, with much of the increase stemming from food and shelter. Shelter accounts for 30% of the headline figure and saw a rise of +8.1% YoY, though it did mark a slower pace for the first time in 2 years. Energy costs sank aggressively once again, highlighted by gasoline falling -12.2% YoY helping continue the downward trend in place for nearly a year. CORE inflation, which is the FED's preferred way to measure pricing data, reported in line with estimates at a +5.5% YoY increase. The CORE inflation figure strips out volatile goods such as food and energy and as a result, is slower to come down vs. the headline data. Since December of last year, the figure has been hovering between 5.7% and 5.5% YoY increases. The following day, the US producer price index (PPI) was also released in line with forecasters. Headline figures were expected around +2.4% YoY and reported at +2.3%. PPI is down from its peak of 11.2% YoY after falling sharply since mid-summer 22' when interest rate increases aggressively kicked in. Also, this figure correlates to commodity prices which we have seen fall sharply since 21' peaks. Shifting focus to the Bank of England's policy decision on interest rates and their economic forecasts. BOE's president Bailey delivered a 25bps increase to their key terminal rate with strong commentary around anticipated growth. Their projections no longer call for a recession in the UK as price pressures have subsided and the labor market remains strong. Finally, a consumer sentiment survey sought in high regard reported a negative outlook and raised inflation expectations. Michigan consumer sentiment for May fell to 57.7 vs 64 estimates and a previous reading of 63. Inflation expectations are now at 3.2% over the next 5yrs higher than the prior month of 3%. On the whole, this week further brought into the picture a convoluted image of where current economic conditions stand across the US and the globe.

Unemployment Claims



- Continued claims continue to climb in the US along side initial claims.
 - A spike in the unemployment claims generally pre-dates higher unemployment rates.

Disclosure: Wells Fargo Advisors Financial Network did not assist in the preparation of this report, and its accuracy and completeness are not guaranteed. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. The material has been prepared or is distributed solely for information purposes and is not a solicitation or an offer to buy any security or instrument or to participate in any trading strategy.

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. Culov Wealth Management is a separate entity from WFAFN.

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 Reuters

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

