



Weekly Recap

Moody's cut its credit ratings of several banks, highlighting headwinds for the sector, including funding risks and weaker earnings due to net interest margin compression. In particular, banks with elevated commercial real estate exposure face the most significant credit risk due to elevated interest rates, the prominence of remote work, and the reduced availability of commercial real estate credit. Despite the downgrade, banks and financial stocks performed better than the overall equity market, as it was the second consecutive down week for the S&P 500 and the Nasdaq. Growth stocks and small caps were weaker than other areas of the market. In economic news, July's U.S. Consumer Price Index (CPI) generally met expectations. Shelter remained one of the leading catalysts for the price change, making up roughly 90% of the increase in July. However, it is worth noting that the CPI's housing component lags real-world pricing and rent increases have progressively slowed throughout the year. Treasury yields continue to experience volatility, with the 10-year yield jumping 15 bps month-over-month. The yield curve remains inverted, with the 2yr/10yr spread now at 72 bps compared to 84 bps a month ago. Applications for mortgages dropped by 3% for the week and fell by 27% as compared to the same period one year ago. Mortgage rates have steadily increased to levels that we have not witnessed in 21 years with the 30-year FHA loan rate at 7.02%. Applications to refinance also dropped by 4% for the week and are down 37% year over year.

Key Thought for The Week

On Thursday, the July year-over-year headline Consumer Price Index (CPI) increased by 3.2%, which was slightly below expectations of 3.3%. Additionally, the core figure (ex food and energy) increased by 4.7%, in line with the 4.7% forecast. Both measures are down significantly from one year ago with 8.5% and 6.1% increases in the headline and core CPI, respectively. Thus far, the Fed tightening cycle has tamed inflation to a degree; however, we still remain notably above the 2% target. One measure of inflation is currently indicating that elevated prices may be problematic for a protracted period. The U.S. 5-year forward breakeven rate is at 2.32% today and it traded close to its April 2022, 5-year high of 2.57% as recently as Monday when it touched 2.53%. The five-year average is 2.04%. Preceding the Covid-19 pandemic, the market's inflation gauge averaged 1.95% over a five-year horizon. We now question whether we are seeing a structural shift in U.S. inflation, and we are watching how the FOMC will deal with this challenge.

8/11/2023		Wk	Wk		YTD	12 Mos
	Close	Net	%	Div	%	%
STOCKS		Change	Change	Yield	Change	Change
DJIA	35,281.40	215.78	0.62	2.02	6.44	5.83
S&P 500	4,464.05	-13.98	-0.31	1.55	16.27	6.10
NASDAQ	13,644.85	-264.39	-1.90	0.79	30.37	6.77
S&P MidCap 400	2,660.55	-21.03	-0.78	1.65	9.47	3.30
EAFE	2,153.95	10.73	0.50	3.26	10.80	9.33
Emerging Market	1,008.34	-9.68	-0.95	2.93	5.43	-0.59

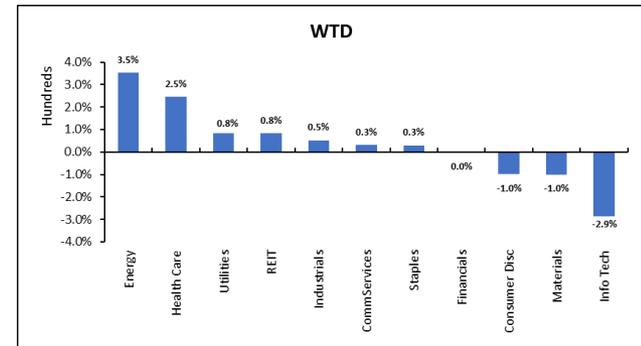
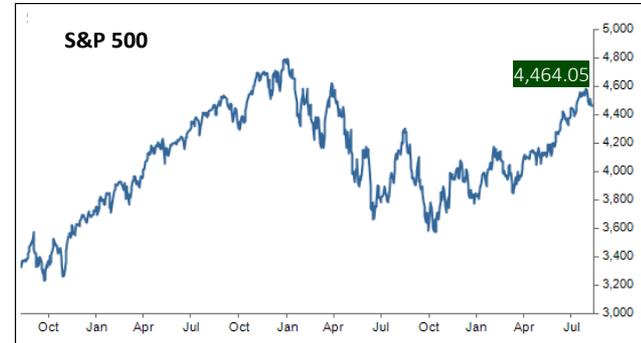
TREASURIES	Yield	FOREX	Price	Change
1-Year	5.34	USD/EUR	1.09	-0.52
2-Year	4.90	JPY/USD	144.96	-2.21
5-Year	4.30	USD/GBP	1.27	-0.42
10-Year	4.16	CAD/USD	1.34	-0.45
20-Year	4.26			

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk	Wk	WTD	MTD	QTD	YTD
		Net	%				
		Change	Change				
Defensive							
Staples	785.16	2.34	0.3%	(1.2%)	0.8%	0.8%	
Health Care	1,579.26	37.87	2.5%	1.1%	2.0%	(0.4%)	
CommServices	224.86	0.73	0.3%	(2.5%)	4.1%	41.1%	
Eco Sensitive							
Consumer Disc	1,338.53	-13.37	(1.0%)	(1.8%)	0.6%	33.1%	
Energy	686.84	23.46	3.5%	2.7%	10.1%	2.2%	
Industrials	919.97	4.81	0.5%	(1.5%)	1.3%	10.7%	
Info Tech	2,944.98	-87.04	(2.9%)	(7.0%)	(4.6%)	35.6%	
Materials	520.56	-5.28	(1.0%)	(3.5%)	(0.3%)	6.3%	
Interest Rate Sensitive							
Financials	579.89	-0.13	(0.0%)	(1.3%)	3.3%	1.8%	
Utilities	327.38	2.73	0.8%	(3.9%)	(1.6%)	(8.7%)	
REIT	234.49	1.92	0.8%	(2.1%)	(0.9%)	0.9%	

COMING UP NEXT WEEK		Consensus	Prior
08/15 Empire State Index SA	(Aug)	0.0	1.1
08/15 Retail Sales ex-Auto SA M/M	(Jul)	0.40%	0.20%
08/15 Retail Sales SA M/M	(Jul)	0.40%	0.20%
08/16 Housing Starts SAAR	(Jul)	1,440K	1,434K
08/16 Capacity Utilization NSA	(Jul)	78.9%	78.9%
08/16 Industrial Production SA M/M	(Jul)	0.30%	-0.50%
08/17 Philadelphia Fed Index SA	(Aug)	-10.0	-13.5
08/17 Leading Indicators SA M/M	(Jul)	-0.35%	-0.70%



Russell Style Return

WTD	Value	Blend	Growth
Large	0.33%	(0.39%)	(1.04%)
Medium	(0.49%)	(0.65%)	(1.04%)
Small	(1.04%)	(1.62%)	(2.23%)

YTD	Value	Blend	Growth
Large	7.11%	17.27%	28.06%
Medium	6.99%	9.86%	14.32%
Small	7.35%	10.26%	12.73%

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