



Weekly Recap

All major equity averages suffered losses last week. The Dow had four consecutive weeks of losses and is now in negative territory for the year. The S&P 500 and Nasdaq remain solidly positive for the year, but both sold off sharply after Friday's economic data. January headline Personal Consumption Expenditures (PCE), the Fed's preferred inflation measure, rose 0.6% month-over-month and 5.4% year-over-year, above expectations and added to concerns that the Fed may have to keep interest rates higher for longer to bring down inflation. Investors worry over stubbornly high inflation and the need for future Fed rate increases has been the prevailing sentiment driving the markets over the last few weeks. According to the FOMC's meeting minutes for its February meeting, almost all of the Fed's members favor a 25 basis points (bps) hike but could support a 50 bps hike if warranted, and the Fed remains data dependent. In general, the meeting minutes provided nothing new other than a reiteration of the Fed's "higher-for-longer" stance. February flash PMIs posted a surprise to the upside, with services the main standout, expanding for the first time since June 2022. Initial weekly claims below 200k, the lowest in four weeks, suggest the labor market remains tight. Also, retail earnings reports were somewhat disappointing, with Walmart and Home Depot giving weaker-than-expected outlooks for the rest of the year. Home Depot is expecting its investment of \$1 billion in employee benefits and training to impact FY23 company margins.

Key Thought for The Week

This week saw a continuation of the rise in interest rates since the beginning of February. While the yield on U.S. Treasury bills and notes rose across all tenors, investors paid particular interest to the increasing yield on the U.S. Treasury 10-year bond (it hit 3.97% intraday on Friday). Rising rates on longer-dated U.S. Treasuries not only represent a competitive alternative to stocks in their own right, but also put pressure on stock prices, which represent the discounted value of a company's future cash flows. For the previous 60 years, the U.S. Treasury 10-Year yield has exceeded the inflation rate 83% of the time (prior to 2008 this held true 91% of the time). It is entirely possible that 10-year yields have room to climb further considering their current level of 3.95% in comparison to the most recent Consumer Price Index (CPI) reading of 6.4%. Equity valuations have recently improved with the forward multiple on the S&P 500 at 17.7x, which is approaching the market's long-term average, but higher rates could present a challenge for equity investors. The equity risk premium (the difference between the S&P 500 earnings yield and that of the 10-year U.S. Treasury) at its lowest level since 2007 (136 bps), appears to not reflect the potential for further increases of the Federal Funds rate.

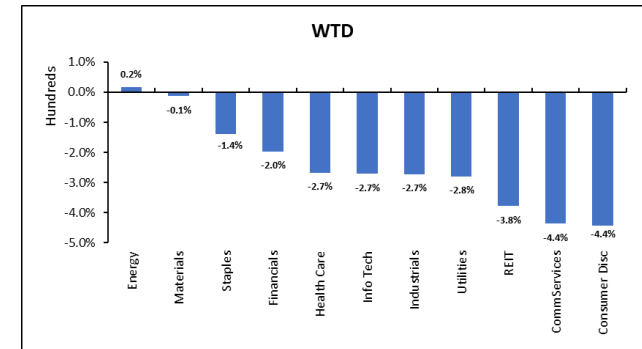
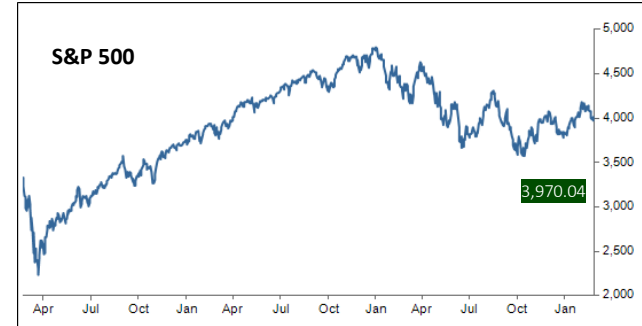
	2/24/2023	Wk Net Change	Wk % Change	Div Yield	YTD Change	12 Mos % Change
STOCKS	Close					
DJIA	32,816.92	-1009.77	-2.99	2.11	-1.00	-1.22
S&P 500	3,970.04	-109.05	-2.67	1.72	3.40	-7.43
NASDAQ	11,394.94	-392.33	-3.33	0.94	8.87	-15.43
S&P MidCap 400	2,600.47	-65.65	-2.46	1.75	7.00	0.45
EAFE	2,061.45	-25.59	-1.23	3.22	6.05	-2.21
Emerging Market	987.74	-11.68	-1.17	3.15	3.28	-14.47

	Yield	FOREX Price	Wk % Change
TREASURIES			
2-Year	4.82	USD/EUR 1.05	-1.37
5-Year	4.22	JPY/USD 136.48	-1.70
10-Year	3.95	USD/GBP 1.19	-0.77
30-Year	3.93	CAD/USD 1.36	-1.01

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	758.81	-10.79	(1.4%)	(1.6%)	(2.6%)	(2.6%)
Health Care	1,495.64	-41.10	(2.7%)	(3.7%)	(5.7%)	(5.7%)
CommServices	172.39	-7.88	(4.4%)	(5.3%)	8.2%	8.2%
Eco Sensitive						
Consumer Disc	1,117.47	-51.98	(4.4%)	(3.4%)	11.1%	11.1%
Energy	645.32	1.12	0.2%	(6.6%)	(4.0%)	(4.0%)
Industrials	846.99	-23.75	(2.7%)	(1.7%)	1.9%	1.9%
Info Tech	2,372.37	-66.07	(2.7%)	(0.0%)	9.2%	9.2%
Materials	511.33	-0.67	(0.1%)	(4.1%)	4.4%	4.4%
Interest Rate Sensitive						
Financials	592.38	-11.90	(2.0%)	(2.6%)	4.0%	4.0%
Utilities	337.17	-9.68	(2.8%)	(4.0%)	(5.9%)	(5.9%)
REIT	239.51	-9.42	(3.8%)	(6.2%)	3.1%	3.1%

COMING UP NEXT WEEK		Consensus	Prior
02/27 Durable Orders ex-Transportation SA M/M (Preliminary)	(Jan)	0.10%	-0.24%
02/27 Durable Orders SA M/M (Preliminary)	(Jan)	-3.4%	5.6%
02/28 S&P/Case-Shiller comp.20 HPI M/M	(Dec)	-0.60%	-0.50%
02/28 Chicago PMI SA	(Feb)	45.3	44.3
02/28 Consumer Confidence	(Feb)	109.0	107.1
03/01 Markit PMI Manufacturing SA (Final)	(Feb)	47.8	47.8
03/01 ISM Manufacturing SA	(Feb)	47.7	47.4



Russell Style Return

	WTD	Value	Blend	Growth
Large	(2.43%)	(2.68%)	(2.94%)	
Medium	(2.64%)	(2.80%)	(3.11%)	
Small	(2.97%)	(2.86%)	(2.74%)	

	YTD	Value	Blend	Growth
Large	1.78%	4.11%	6.61%	
Medium	4.74%	5.63%	7.29%	
Small	6.85%	7.49%	8.12%	

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