



### Weekly Recap

Trading for the week had a muted start as Monday saw the second-lowest trading volume day of the year. Following the Fed's rate hike last week and a slowing number of earnings reports, major themes throughout the week included the debt ceiling negotiations, the Senior Loan Officer Opinion Survey (SLOOS), and Consumer Price Index (CPI) and Producer Price Index (PPI) numbers for April. President Joe Biden met with Congressional leaders on Tuesday without reaching a deal. Still, the growing sentiment is that there will be a resolve for a short-term reprieve to allow both sides to negotiate a budget deal. The latest SLOOS report noted an uncertain economic outlook and reduced risk tolerance which was reflected in the tightening of commercial, industrial, and residential lending. However, it is important to note that banking data does not support concerns over a credit crunch, as loans at commercial banks were up for a fourth straight week. Regional bank concerns persist after PacWest Bancorp's 22% decline on Thursday, following reports that the lender recently experienced outflows of about \$2 billion in uninsured deposits. Elsewhere, growth stocks received a slight boost midway through the week as a Fed pause in raising rates was supported by April's core CPI remaining unchanged at 0.4% month over month, in line with consensus, while core PPI rose 0.2%. U.S. equities closed the week mostly lower, with the S&P 500 closing -0.29% and the Dow -1.11%, but the tech-heavy Nasdaq posted a gain for the week of +0.40%. Communication services was the best performer, and energy was the worst performer. Growth outperformed value.

### Key Thought for The Week

The Federal Reserve announced last week in a unanimous decision that it would raise the Federal funds rate to a 5%-5.25% target range. The Fed hinted in its announcement that the current tightening cycle might be close to the end, which resulted in a decline in the probability of a Fed funds increase in June. Fed funds futures suggested the probability of a hike was 22%, but after Fed Chair Jerome Powell's comments, the probability decreased to 11%. Although there are structural reasons for inflation to remain elevated over the next cycle (changes in globalization, indexation of 65% of government budget), inflation has likely peaked in the current cycle. Given that the tightening cycle could be ending, how might we expect risk assets to perform? History suggests that the period between the last Fed funds rate hike and the first cut, has been, on average, a decent time to own stocks. Investors, however, should not take this as an all clear. Due to the long and variable lag effects associated with monetary policy, the possible risk of a recession is often sharpest after the first rate cut. By the time the Fed realizes monetary policy is too constrictive, a recession is already underway and corporate earnings are in decline.

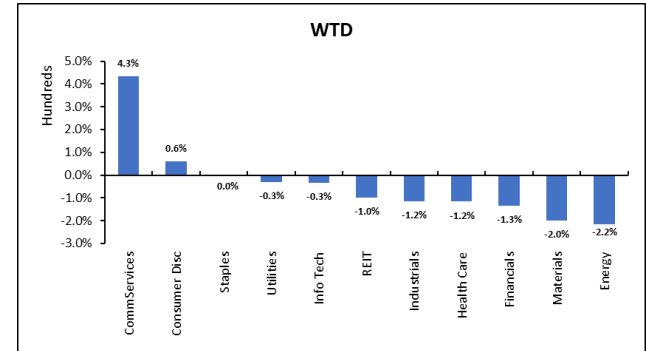
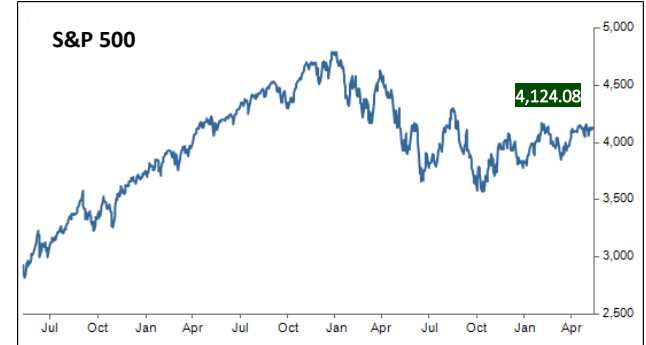
5/12/2023		Wk	Wk	YTD	12 Mos
		Net	%	Div	%
		Change	Change	Yield	Change
<b>STOCKS</b>	Close				
DJIA	33,300.62	-373.76	-1.11	2.11	0.46
S&P 500	4,124.08	-12.17	-0.29	1.67	7.41
NASDAQ	12,284.74	49.33	0.40	0.87	17.37
S&P MidCap 400	2,432.73	-28.37	-1.15	1.96	0.10
EAFE	2,130.19	-14.44	-0.67	3.30	9.58
Emerging Market	977.82	-3.84	-0.39	3.15	2.24
					-1.01
<b>TREASURIES</b>	Yield				
1-Year	4.76				
2-Year	3.99				
5-Year	3.45				
10-Year	3.47				
30-Year	3.79				
Source: FactSet/Bloomberg					

### Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	803.68	-0.06	(0.0%)	(0.4%)	3.0%	3.2%
Health Care	1,538.82	-17.99	(1.2%)	(1.1%)	1.9%	(2.9%)
CommServices	202.22	8.41	4.3%	2.0%	5.6%	26.9%
<b>Eco Sensitive</b>						
Consumer Disc	1,155.36	6.96	0.6%	0.3%	(0.7%)	14.9%
Energy	603.84	-13.31	(2.2%)	(7.8%)	(4.9%)	(10.2%)
Industrials	832.24	-9.69	(1.2%)	(1.6%)	(2.8%)	0.1%
Info Tech	2,657.03	-8.85	(0.3%)	0.3%	0.7%	22.3%
Materials	491.53	-9.97	(2.0%)	(3.1%)	(3.2%)	0.4%
<b>Interest Rate Sensitive</b>						
Financials	529.60	-7.23	(1.3%)	(4.0%)	(1.1%)	(7.0%)
Utilities	349.38	-1.04	(0.3%)	(0.3%)	1.6%	(2.5%)
REIT	232.46	-2.31	(1.0%)	(1.8%)	(1.0%)	0.0%

### COMING UP NEXT WEEK

	Consensus	Prior
05/15 Empire State Index SA	(May) 1.0	10.8
05/16 Retail Sales ex-Auto Fuel M/M	(Apr) 0.20%	1.4%
05/16 Retail Sales SA M/M	(Apr) 0.70%	0.62%
05/16 Capacity Utilization NSA	(Apr) 79.7%	79.8%
05/16 Industrial Production SA M/M	(Apr) 0.15%	0.40%
05/17 Housing Starts SAAR	(Apr) 1,408K	1,420K
05/18 Philadelphia Fed Index SA	(May) -20.5	-31.3
05/18 Existing Home Sales SAAR	(Apr) 4,290K	4,440K
05/18 Leading Indicators SA M/M	(Apr) -0.50%	-1.2%



### Russell Style Return

	WTD	Value	Blend	Growth
Large	(1.05%)	(0.23%)	0.53%	
Medium	(1.15%)	(0.73%)	0.00%	
Small	(1.37%)	(1.04%)	(0.75%)	

	YTD	Value	Blend	Growth
Large	(0.30%)	7.70%	16.25%	
Medium	(1.26%)	1.52%	6.70%	
Small	(5.60%)	(0.66%)	4.19%	