## The Weekly

Economic & Market Recap

May 12, 2023

## **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.

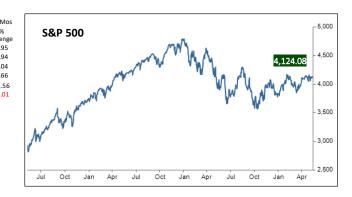
## **Key Thought for The Week**

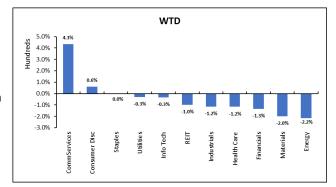
The Federal Reserve announced last week in a unanimous decision that it would raise the Federal funds rate to a 5%-5.25% target range. The Fed hinted in its announcement that the current tightening cycle might be close to the end, which resulted in a decline in the probability of a Fed funds increase 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	%	%
STOCKS	Close	Change	Change	Yield	Change	Change
DJIA	33,300.62	-373.76	-1.11	2.11	0.46	4.95
S&P 500	4,124.08	-12.17	-0.29	1.67	7.41	4.94
NASDAQ	12,284.74	49.33	0.40	0.87	17.37	8.04
S&P MidCap 400	2,432.73	-28.37	-1.15	1.96	0.10	2.66
EAFE	2,130.19	-14.44	-0.67	3.30	9.58	11.56
Emerging Market	977.82	-3.84	-0.39	3.15	2.24	-1.01
					Wk	
					%	
TREASURIES	Yield		FOREX	Price	Change	
1-Year	4.76		USD/EUR	1.08	-1.54	
2-Year	3.99		JPY/USD	135.70	-0.66	
5-Year	3.45		USD/GBP	1.25	-1.41	
10-Year	3.47		CAD/USD	1.36	-1.29	
30-Year	3.79					
Source: FactSet/Bloo	omberg					

	Wk				
	Net				
Close	Change	WTD	MTD	QTD	YTD
803.68	-0.06	(0.0%)	(0.4%)	3.0%	3.2%
1,538.82	-17.99	(1.2%)	(1.1%)	1.9%	(2.9%)
202.22	8.41	4.3%	2.0%	5.6%	26.9%
1,155.36	6.96	0.6%	0.3%	(0.7%)	14.9%
603.84	-13.31	(2.2%)	(7.8%)	(4.9%)	(10.2%
832.24	-9.69	(1.2%)	(1.6%)	(2.8%)	0.1%
2,657.03	-8.85	(0.3%)	0.3%	0.7%	22.3%
491.53	-9.97	(2.0%)	(3.1%)	(3.2%)	0.4%
529.60	-7.23	(1.3%)	(4.0%)	(1.1%)	(7.0%)
349.38	-1.04	(0.3%)	(0.3%)	1.6%	(2.5%)
232.46	-2.31	(1.0%)	(1.8%)	(1.0%)	0.0%
	803.68 1,538.82 202.22 1,155.36 603.84 832.24 2,657.03 491.53 529.60 349.38	Net Change  803.68 -0.06 1,538.82 -17.99 202.22 8.41  1,155.36 6.96 603.84 -13.31 832.24 -9.69 2,657.03 -8.85 491.53 -9.97  529.60 -7.23 349.38 -1.04	Net Close Change WTD  803.68 -0.06 (0.0%) 1,538.82 -17.99 (1.2%) 202.22 8.41 4.3%  1,155.36 6.96 0.6% 603.84 -13.31 (2.2%) 832.24 -9.69 (1.2%) 2,657.03 -8.85 (0.3%) 491.53 -9.97 (2.0%)  529.60 -7.23 (1.3%) 349.38 -1.04 (0.3%)	Net Close Change WTD MTD  803.68 -0.06 (0.0%) (0.4%) 1,538.82 -17.99 (1.2%) (1.1%) 202.22 8.41 4.3% 2.0%  1,155.36 6.96 0.6% 0.3% 603.84 -13.31 (2.2%) (7.8%) 832.24 -9.69 (1.2%) (1.6%) 2,657.03 -8.85 (0.3%) 0.3% 491.53 -9.97 (2.0%) (3.1%)  529.60 -7.23 (1.3%) (4.0%) 349.38 -1.04 (0.3%) (0.3%)	Net Close Change WTD MTD QTD  803.68 -0.06 (0.0%) (0.4%) 3.0% 1.538.82 -17.99 (1.2%) (1.1%) 1.9% 202.22 8.41 4.3% 2.0% 5.6%  1.155.36 6.96 0.6% 0.3% (0.7%) 603.84 -13.31 (2.2%) (7.8%) (4.9%) 832.24 -9.69 (1.2%) (1.6%) (2.8%) 2,657.03 -8.85 (0.3%) 0.3% 0.7% 491.53 -9.97 (2.0%) (3.1%) (3.2%)  529.60 -7.23 (1.3%) (4.0%) (1.1%) 349.38 -1.04 (0.3%) (0.3%) 1.6%

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%

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