Weekly Market Update

General Market News

- The future path of interest rates is uncertain for 2023, but according to Bloomberg's economic forecast, the average Bloomberg surveyed economist expects to see another half percent of increases in the first quarter of the year before levels remain stable through the second and third quarters. The Federal Reserve (Fed) is scheduled to announce its next rate decision this week, on Wednesday, February 1. Consensus expectations are pointing to a 25 basis point (bp) increase. Some analysts, however, aren't ruling out a more hawkish 50 bps hike as recent indicators have shown easing financial conditions and softening inflation. Fed Chair Powell's post-meeting press conference will be closely monitored for forward guidance to get a better sense of how high rates are expected to go and for how long. Since markets have been pricing in 2023 rate cuts despite Fed officials' rebukes of such expectations, Powell will likely tread carefully and avoid giving any signals that the Federal Open Market Committee's (FOMC) foot may come off the inflation-fighting pedal anytime soon. U.S. Treasury yields were up modestly last week. The 2-year, 5-year, 10-year, and 30-year gained 6 bps (to 4.21 percent), 11 bps (to 3.64 percent), 7 bps (to 3.55 percent), and 2 bps (to 3.68 percent), respectively.
- The Nasdaq Composite Index led the way last week as global equities rallied. Earnings from Microsoft and Tesla helped support the moves up in technology and auto stocks. Additionally, American Express and Capital One Financial were both up more than 10 percent on the back of better-than-expected results. That said, last week was not all good news; 3M, Dow Chemical, and Newell Brands all announced workforce reductions. Additionally, Intel shares fell by more than 6 percent on Friday after the company reported a larger-than-expected revenue decline and a net loss of $644 million for the quarter. The company was hit by softening demand for its chips as well as higher expenses at its factories, which weighed on overall margins. This week will be another big week of earnings with Exxon, Pfizer, McDonalds, UPS, Caterpillar, Meta Platforms, Apple, Alphabet, and Amazon as just some of the names slated to report.
- Last week's data focused on overall economic growth as well as personal spending and income. Thursday saw the release of the **advanced estimate of fourth-quarter GDP**. The fourth-quarter GDP report showed that the economy grew more than expected. Personal consumption slowed during the quarter, although the 2.1 percent annualized increase in consumption to end the year was still solid on an historical basis. Also released on Thursday was **durable goods orders** data. Headline and core durable goods orders both came in above expectations to end the year. The surge in headline orders was largely due to a spike in volatile transportation orders.
- The week wrapped on Friday with the **personal income and spending reports** for December. While personal income continued to grow, spending fell for the second consecutive month.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.48	6.11	6.11	–6.63
Nasdaq Composite	4.32	11.07	11.07	–14.89
DJIA	1.81	2.6	2.6	–0.08
MSCI EAFE	1.4	8.55	8.55	–1.5
MSCI Emerging Markets	1.44	9.95	9.95	–9.16
Russell 2000	2.37	8.58	8.58	–1.5

Source: Bloomberg, as of January 27, 2023

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	2.99	2.99	–8.46
U.S. Treasury	2.33	2.33	–8.76
U.S. Mortgages	3.45	3.45	–7.35
Municipal Bond	2.83	2.83	–3.32

Source: Bloomberg, as of January 27, 2023

What to Look Forward To

This week will be a busy one in terms of economic policy and releases, starting with the release of the **Conference Board Consumer Confidence Index** data for January on Tuesday. Economists expect to see slightly better consumer confidence in January.

Wednesday will see the **FOMC's** federal funds rate decision. The Fed is expected to hike the federal funds rate by 25 bps at its February meeting, as the central bank aims to slow the pace of rate hikes in 2023. Also out on the same day will be the **ISM Manufacturing index** report for January. Manufacturer confidence is expected to decline modestly and remain in contractionary territory to start the year.

What to Look Forward To (continued)

Friday will see the release of the **employment report and ISM Services index** data for January. The pace of hiring is set to slow again; however, even with the anticipated slowdown, hiring is expected to remain healthy on an historical basis.

Service sector confidence is expected to partially rebound in January after suffering from a much larger-than-expected decline in December. If estimates prove to be accurate, the index would start the year in expansionary territory.

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