Weekly Market Update

General Market News

- This month marks one year since the Federal Open Market Committee (FOMC) began its unprecedented rate hiking journey and, although the grip has loosened, inflation still has its talons in the U.S. economy. January proved to be a headache for Federal Reserve (Fed) officials as progress on cooling inflation slowed, spending was stronger than expected, and the job market continued to run hot. As we approach the March 22 FOMC rate decision, the question still stands as to how this data will develop and affect policy moving forward. "It could be that progress has stalled, or it is possible that the numbers released last month were a blip, perhaps associated with unusually favorable weather, and that forthcoming data will show that economic activity and inflation resumed their decline" explained Fed Governor Chris Waller. "On the other hand, if those data reports continue to come in too hot, the policy target range will have to be raised this year even more to ensure that we do not lose the momentum that was in place before the data for January were released." U.S. Treasury yields saw modest increases last week. The 2-year, 5-year, 10-year, and 30-year gained 6 basis points (bps) (to 4.88 percent), 7 bps (to 4.29 percent), 7 bps (to 4.02 percent), and 3 bps (to 3.96 percent), respectively.
- The Nasdaq Composite led the way for global gains last week. U.S. Treasury yields continued their march higher after a sharp rise at the start of February following the first Federal meeting of the year, and a January jobs report that came in above expectations. Yields took a bit of a breather, which supported growth stocks reliant on lower rates. The Russell 1000 Growth Index outperformed the Russell 1000 Value Index by 95 basis points as it rose by 2.48 percent. Cyclical stocks remained in favor as materials, communication services, industrials, and energy were all among top performers. Consumer staples, health care, and financials were among the worst performers. This cyclical recovery is indicative of a broader global reopening from the Covid-19 pandemic and will be something to watch as additional employment and inflationary data is released.
- Last week's data focused on the consumer and business confidence, kicking off with the release of **durable goods orders** on Tuesday. Headline durable goods orders fell more than expected in January due to a slowdown in volatile transportation orders. Core durable goods orders, on the other hand, increased more than expected.
- Tuesday saw the release of the **Conference Board Consumer Confidence Survey** for February. Consumer confidence declined modestly during the month because of souring consumer expectations for the future. The increased consumer pessimism was largely due to expectations for fewer available jobs and lower income ahead.
- The week wrapped with the releases of the **ISM Manufacturing** and **ISM Services** reports for February. Manufacturer confidence improved modestly in February; however, the index still sits in contractionary territory. Service sector confidence fell modestly, but the index still sits in healthy expansionary territory following a larger-than-expected increase in January.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.96	1.93	5.69	–4.95
Nasdaq Composite	2.61	2.06	11.87	–11.42
DJIA	1.85	2.31	1.15	1.47
MSCI EAFE	1.81	0.88	6.77	4.58
MSCI Emerging Markets	1.68	2.50	3.43	–11.18
Russell 2000	2.05	1.67	9.70	–2.22

Source: Bloomberg, as of March 3, 2023

FIXED INCOME

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.13	0.28	–9.98
U.S. Treasury	–0.16	–0.06	–10.54
U.S. Mortgages	–0.38	0.19	–9.61
Municipal Bond	–0.18	0.36	–5.06

Source: Bloomberg, as of March 3, 2023

What to Look Forward To

This week will be lighter on the data front with two key reports set to be released.

Wednesday will see another sentiment report in the release of the international trade report for January. The monthly trade deficit is expected to increase modestly in January for the second consecutive month.

Finally, the week will wrap on Friday with the employment report for February on Friday. Economists expect to see a strong 200,000 jobs added in February, following a larger-than-expected increase in January.

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