



WEEK OF APRIL 17, 2023

Market Update

Quick Hits

1. **Report releases:** Consumer and producer inflation showed signs of slowing growth
2. **Financial market data:** Value stocks continued their run as inflation data came in soft
3. **Looking ahead:** Upcoming housing data will provide insight into shelter inflation



Report Releases: April 10–April 14, 2023

Consumer Price Index (CPI) March (Wednesday)

Headline consumer prices continued to show signs of slowing growth in March, with a 0.1 percent increase marking the smallest increase since last July. Despite the slowdown in inflationary pressure, inflation remains high on a year-over-year basis.

- **Prior monthly CPI/core CPI growth:** +0.4%/+0.5%
- **Expected monthly CPI/core CPI growth:** +0.2%/+0.4%
- **Actual monthly CPI/core CPI growth:** +0.1%/+0.4%
- **Prior year-over-year CPI/core CPI growth:** +6.0%/+5.5%
- **Expected year-over-year CPI/core CPI growth:** +5.1%/+5.6%
- **Actual year-over-year CPI/core CPI growth:** +5.0%/+5.6%



Producer Price Index (PPI) March (Thursday)

Headline and core producer prices fell in March, caused in part by cheaper energy prices. This marked the largest monthly decline in producer prices since the start of the Covid-19 pandemic.

- **Prior monthly PPI/core PPI growth:** +0.0%/+0.2%
- **Expected monthly PPI/core PPI growth:** +0.0%/+0.2%
- **Actual monthly PPI/core PPI growth:** -0.5%/-0.1%
- **Prior year-over-year PPI/core PPI growth:** +4.9%/+4.8%
- **Expected year-over-year PPI/core PPI growth:** +3.0%/+3.4%
- **Actual year-over-year PPI/core PPI growth:** +2.7%/+3.4%



Retail Sales March (Friday)

Retail sales fell more than expected in March, partially driven by lower gas prices and auto sales. This marks two consecutive months with slowing sales and indicates consumer spending is starting to cool.

- **Expected/prior month retail sales monthly change:** -0.5%/-0.2%
- **Actual retail sales monthly change:** -1.0 %
- **Expected/prior month core retail sales monthly change:** -0.6%/+0.0%
- **Actual core retail sales monthly change:** -0.3%



University of Michigan Consumer Sentiment Survey April Preliminary (Friday)

Consumer sentiment improved more than expected to start April, which was an encouraging sign that the stress at a handful of U.S. banks in March did not have a meaningful, long-term impact on sentiment.



>> The Takeaway

- Falling energy and auto prices drove down inflation and retail sales in March
- Energy trends bear watching as the price decrease came prior to the impact of the one million barrel per day OPEC+ cut

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.82%	0.75%	8.31%	-4.17%
Nasdaq Composite	0.30%	-0.78%	16.13%	-8.37%
DJIA	1.20%	1.89%	2.84%	0.49%
MSCI EAFE	2.19%	2.67%	11.36%	4.13%
MSCI Emerging Markets	1.39%	1.11%	5.11%	-7.86%
Russell 2000	1.54%	-1.15%	1.56%	-9.81%

Source: Bloomberg, as of April 14, 2023

Value stocks continued their outperformance despite cooling inflationary data by way of the CPI and PPI inflation reports. The main factor in value stocks for the week was earnings from big banks such as JP Morgan (JPM), Wells Fargo (WFC), Citigroup (C), and PNC Financial (PNC). The large banks benefitted from inflows of deposits from smaller regional banks and higher margins driven by rising rates. Investors will keep an eye out for regional bank earnings this week, as well as additional clarity regarding balance sheet health as deposit outflows and commercial real estate have raised concerns.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.01%	2.97%	-2.07%
U.S. Treasury	-0.09%	2.92%	-2.16%
U.S. Mortgages	0.00%	2.53%	-2.35%
Municipal Bond	1.03%	3.83%	2.69%

Source: Bloomberg, as of April 14, 2023

The front end of the curve lifted last week as lower inflation led investors to move out longer on the yield curve. The March inflationary data showed that the Federal Reserve (Fed) is making strides in bringing down inflation. A decline in energy prices also helped in March. The 2-year, 5-year, 10-year, and 30-year rose 11 basis points (bps) (to 4.1 percent), 10 bps (to 3.61 percent), 11 bps (to 3.52 percent), and 12 bps (to 3.74 percent), respectively.

>> The Takeaway

- Value stocks outperformed as major bank earnings came in strong
- Shorter maturity fixed income investments sold off as inflation has started to come down

Looking Ahead

There will be a slew of housing data released this week, which will provide not only an indication on future shelter inflation, but also bank mortgage lending activity.

- The week will kick off on Monday with the National Association of Home Builders Housing Market Report for April. Home builder confidence is set to increase slightly after rising more than expected in March.
- Tuesday will see the release of the housing starts and building permits reports for March. Housing starts and building permits are both set to drop following larger-than-expected increases in February. The pace of new home construction is expected to remain well below the pandemic-era highs that we saw last spring.
- Existing home sales for March will be published on Thursday. Sales are set to drop, as high prices, low supply, and high mortgage rates serve as a headwind toward faster sales growth.
- Finally, Friday will see the release of the S&P Global U.S. Composite PMI, which will provide an indication of economic confidence overall and broken out by manufacturing and services.





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The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. All indices are unmanaged and investors cannot invest directly in an index.

The MSCI EAFE (Europe, Australia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of 21 developed market country indices.

One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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