



WEEK OF APRIL 3, 2023

Market Update

Quick Hits

1. **Report releases:** Personal income and spending both rose in February
2. **Financial market data:** Large and growth stocks led the way to start the year
3. **Looking ahead:** All eyes will be on Friday's release of March employment data



Report Releases: March 27–31, 2023

Retail Inventories February (Tuesday)

Retail inventories rose more than expected in February with a 0.8 percent increase versus an expected 0.1 percent increase. This was well above the 0.3 percent increase in January.



Conference Board Consumer Confidence March (Tuesday)

Consumer confidence increased more than expected in March, driven by improved consumer expectations for future economic conditions.

- Expected/Prior Consumer Confidence Index: 101.0/103.4
- Actual Consumer Confidence Index: 104.2



Core Personal Consumption Expenditures (PCE) (Thursday)

The Federal Reserve (Fed)'s inflation gauge in core PCE rose 4.4 percent in the fourth quarter, which was at the higher end of estimates. The deflator released on Friday hinted at signs that easing may be seen in the first quarter.



Personal Spending and Personal Income February (Friday)

Personal spending and income grew in February following increases in January. Personal income increased slightly more than expected while spending growth came in just below. This marks two consecutive months with spending growth to start the year, signaling continued consumer strength.

- Expected/Prior Personal Income Monthly Change: +0.2%/+0.6%
- Actual Personal Income Change: +0.3%
- Expected/Prior Personal Spending Monthly Change: +0.3%/+2.0%
- Actual Personal Spending Change: +0.2%



>> The Takeaway

- Retail inventories and the core PCE hint at potential easing within inflation.
- The easing via inventories and core PCE, however, was offset with a slight improvement in consumer confidence and continued rising incomes. We've recently seen notable markdowns from companies in the retail sector.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	3.50%	3.67%	7.50%	-7.73%
Nasdaq Composite	3.38%	6.78%	17.05%	-13.28%
DJIA	3.22%	2.08%	0.93%	-1.98%
MSCI EAFE	4.02%	2.48%	8.47%	-1.38%
MSCI Emerging Markets	1.95%	3.03%	3.96%	-10.70%
Russell 2000	3.96%	-4.78%	2.74%	-11.61%

Source: Bloomberg, as of March 31, 2023

Global equities were up across the board last week as markets rose for the third consecutive week to close out the quarter. A lack of news on the regional banking side eased market fears and saw equities move higher. Small caps and value stocks outperformed despite a more challenging month for both than large-cap growth stocks.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	2.54%	2.96%	-4.78%
U.S. Treasury	2.89%	3.01%	-4.51%
U.S. Mortgages	1.95%	2.53%	-4.85%
Municipal Bond	2.22%	2.78%	0.26%

Source: Bloomberg, as of March 31, 2023

The front end of the yield curve moved higher last week. Increasing consumer confidence and personal income hinted at potential additional work from the Fed on inflation. The 2-year, 5-year, 10-year, and 30-year rose 29 basis points (bps) (to 4.06 percent), 20 bps (to 3.61 percent), 11 bps (to 3.49 percent), and 5 bps (to 3.69 percent), respectively. Regional banks were mostly flat as nerves calmed a bit since the concerns in early March, and the moves in rate show a moderate reversal of the shock in rates from that timeframe.

>> The Takeaway

- The S&P 500 rose for the third week in a row as investors shake off banking jitters.
- Treasuries sold off as investors revisited equities in the last week of the quarter.

Looking Ahead

Investors will be focused on the March employment report, slated to be released on Friday.

- The week will kick off on Monday with the **ISM manufacturing report** for March. The index is expected to fall to 47.5, which would leave it in contractionary territory.
- Wednesday will see the release of both the **international trade report** and **ISM Services index**. The February international trade report is set to show a modestly wider trade deficit during the month compared to January. Service sector confidence is expected to decline in March, but the index is set to remain in expansionary territory despite the anticipated drop.
- Finally, the **employment report** for March will be published on Friday. Economists expect to see that 240,000 jobs were added, which would be a strong month for job growth. The unemployment rate is set to remain unchanged at 3.6 percent.





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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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