



WEEK OF JUNE 12, 2023

Market Update

Quick Hits

1. **Report releases:** Service sector confidence sours in May
2. **Financial market data:** The S&P 500 is more than 20 percent above its 52-week low
3. **Looking ahead:** The Federal Open Market Committee (FOMC) will meet for its June decision



Report Releases: June 5–9, 2023

ISM Services May (Monday)

Service sector confidence dropped more than expected in May, as the index dropped to its lowest point so far this year. Despite the slide in sentiment, the index remained in expansionary territory.

- Expected/prior ISM Services index: 52.4/51.9
- Actual ISM Services index: 50.3



MBA Mortgage Applications (Wednesday)

Weekly mortgage applications fell 1.4 percent since the same period last year. While it's still a drop, there was improvement compared to the 3.7 percent drop the week prior.



Consumer Credit April (Wednesday)

Consumer credit came in slightly higher than last month, which was revised down from \$26.51⁴ billion to \$22.83⁷ billion in March. The story here was the downward revision as spending appears to be lower than initially thought. We'll look to next month to see if the trend remains flat or moves down.

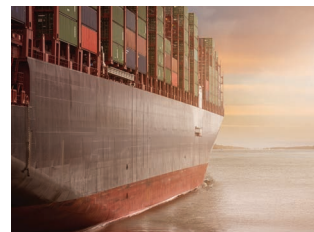
- Expected/prior consumer credit levels: \$22.538 B/\$26.514B
- Actual consumer credit level: \$23.010B



International Trade Report April (Wednesday)

The trade deficit widened slightly more than anticipated in April as a sharp drop in exports brought the trade gap to its largest level in six months.

- Expected/prior trade deficit: -\$74.6B/-\$60.6B
- Actual trade deficit: -\$75.8 billion



>> The Takeaway

- The service sector moved close to the edge of contractionary territory with the most recent report
- Consumer credit was revised down, indicating a tightening of personal spending

Financial Market Data

Equity

| Index | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500 | 0.41% | 2.89% | 12.82% | 8.86% |
| Nasdaq Composite | 0.15% | 2.53% | 27.20% | 13.82% |
| DJIA | 0.36% | 3.00% | 3.26% | 7.26% |
| MSCI EAFE | 0.64% | 3.42% | 10.46% | 8.96% |
| MSCI Emerging Markets | 1.89% | 4.67% | 5.77% | -3.34% |
| Russell 2000 | 1.92% | 6.67% | 6.63% | 2.37% |

Source: Bloomberg, as of June 9, 2023

The S&P 500 posted its fourth straight weekly gain and the Nasdaq posted its seventh. The market has continued its rally with the prospect of falling inflation and a potential reacceleration of economic growth. The FOMC will meet on Tuesday and Wednesday to update its rate policy and outlook. If the Federal Reserve (Fed) indicates additional hikes are needed, the decision could take the wind out of the sails of the recent rally. Top-performing sectors last week were consumer discretionary, utilities, energy, and industrials. Technology, consumer staples, and communication services lagged.

Fixed Income

| Index | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | -0.44% | 2.01% | -0.68% |
| U.S. Treasury | -0.54% | 1.80% | -1.13% |
| U.S. Mortgages | -0.32% | 1.97% | -0.95% |
| Municipal Bond | 0.47% | 2.13% | 1.79% |

Source: Bloomberg, as of June 9, 2023

The move in U.S. Treasuries has been more muted as of late, with the Fed expected to skip a change in rate levels at the June meeting. The front end of the curve extended its move downward as the 1-month yield fell 7 basis points (bps) and the 3-month fell 12 bps. The 10-year moved 5 bps higher and the 30-year remained flat.

>> The Takeaway

- Stocks continued their move higher as the Fed has given equities very little to change their tune
- The front end of the curve continues to rally as confidence in Treasuries and profit leads to additional interest

Looking Ahead

This week will be full of important economic data and events, including inflationary data, the June FOMC decision, and retail sales all due out.

- The week will kick off on Tuesday with the **Consumer Price Index report** for May. Headline and core consumer prices are both set to show slowing year-over-year inflation in May, with headline inflation set to fall to 4.1 percent for the year.
- Wednesday will be busy with the release of May's **Producer Price Index report** and the conclusion of the **June FOMC meeting**. Producer prices are also expected to fall in May, with headline prices set to rise at a 1.5 percent year-over-year rate. Most investors and economists expect no changes to the federal funds rate at this FOMC meeting.
- On Thursday, the **retail sales report** for May will be released. Core retail sales are set to rise in May, which would mark two consecutive months with sales growth.





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capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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