



WEEK OF JUNE 20, 2023

Market Update

Quick Hits

1. **Report releases:** The Federal Reserve (Fed) left the target range for the federal funds rate unchanged
2. **Financial market data:** A pause from the Fed and AI optimism carried stocks higher
3. **Looking ahead:** Will existing home sales show a third straight month of declines?



Report Releases: June 12–16, 2023

Consumer Price Index May (Tuesday)

Consumer inflation slowed on a year-over-year basis in May, with the annual 4.0 percent increase marking the lowest level of consumer inflation in more than two years.

- Prior monthly CPI/core CPI growth: +0.4%/+0.4%
- Expected monthly CPI/core CPI growth: +0.1%/+0.4%
- Actual monthly CPI/core CPI growth: +0.1%/+0.4%
- Prior year-over-year CPI/core CPI growth: +4.9%/+5.5%
- Expected year-over-year CPI/core CPI growth: +4.1%/+5.2%
- Actual year-over-year CPI/core CPI growth: +4.0%/+5.3%



Producer Price Index May (Wednesday)

Producer inflation also showed slowing year-over-year growth in May. Headline producer price growth fell to 1.1 percent during the month, supported by a larger-than-expected drop in producer prices.

- Prior monthly PPI/core PPI growth: +0.2%/+0.2%
- Expected monthly PPI/core PPI growth: -0.1%/+0.2%
- Actual monthly PPI/core PPI growth: -0.3%/+0.2%
- Prior year-over-year PPI/core PPI growth: +2.3%/+3.3%
- Expected year-over-year PPI/core PPI growth: +1.5%/+3.1%
- Actual year-over-year PPI/core PPI growth: +1.1%/+2.8%



FOMC Rate Decision June (Wednesday)

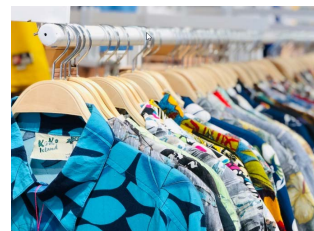
The Fed left the target range for the federal funds rates unchanged at its June Federal Open Market Committee (FOMC) meeting, marking the first pause in regular rate hikes in over a year. Despite the pause in June, Fed Chair Jerome Powell indicated that a hike in July is still possible.



Retail Sales May (Thursday)

Retail sales growth came in well above expectations in May, marking two consecutive months with better-than-expected sales growth.

- Expected/prior month retail sales monthly change: -0.2%/+0.4%
- Actual retail sales monthly change: +0.3%
- Expected/prior month core retail sales monthly change: +0.2%/+0.5%
- Actual core retail sales monthly change: +0.2%



>> The Takeaway

- Producer inflation has led the charge down and investors will see if CPI will follow suit.
- The Fed's pause faces strong retail activity as it seeks to tame inflation in a steady manner

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.62%	5.59%	15.78%	22.07%
Nasdaq Composite	3.26%	5.87%	31.35%	27.92%
DJIA	1.31%	4.35%	4.60%	17.26%
MSCI EAFE	2.88%	6.40%	13.65%	22.49%
MSCI Emerging Markets	2.91%	7.71%	8.85%	5.57%
Russell 2000	0.58%	7.30%	7.25%	14.35%

Source: Bloomberg, as of June 16, 2023

The S&P 500 posted its fifth straight weekly gain as the Nasdaq posted its eighth straight gain. The market continues its rally as technology and AI-related names such as Nvidia (NVDA) continued to rally. Despite predictions for two more hikes in 2023 after the June pause, the market continued its move higher. We will watch to see how investors digest this meeting over the longer term. Materials, consumer discretionary, and industrials were all top performers last week. Energy, financials, and real estate lagged the broader market rally.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.24%	2.22%	0.45%
U.S. Treasury	-0.56%	1.78%	-0.63%
U.S. Mortgages	-0.04%	2.27%	0.69%
Municipal Bond	0.72%	2.38%	4.13%

Source: Bloomberg, as of June 16, 2023

The most notable move in U.S. Treasuries last week was the 2-year yield, which rose 13 basis points (bps) amid strong near-term growth and long-term uncertainty. The 5- and 10-year yields were more muted as they moved up 8 bps and 3 bps, respectively. The 30-year yield fell 3 bps.

>> The Takeaway

- Stocks continued their rally as two more hikes from the Fed didn't change the market's tune
- The front end of the curve sold off as investors look to move into equities amid the recent equity rally, despite falling inflation

Looking Ahead

This week's data will focus on the housing market.

- The week will kick off on Monday with the **National Association of Home Builders Housing Market Index** for June. Home builder confidence is set to increase modestly, with calls for the index to rise from 50 in May to 51 in June.
- Tuesday will see the release of **housing starts and building permits** for May. Both are set to come in mixed, with starts expected to fall alongside a modest increase in permits.
- On Thursday, **existing home sales** for May will be released. Existing home sales are expected to fall, which would mark three consecutive months with declining sales.
- Finally, the **S&P Global U.S. Composite PMI** will be released on Friday. We've seen the underlying manufacturing and services segments of the economy deviate as of late.





Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market

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.

Authored by the Investment Research team at Commonwealth Financial Network®

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