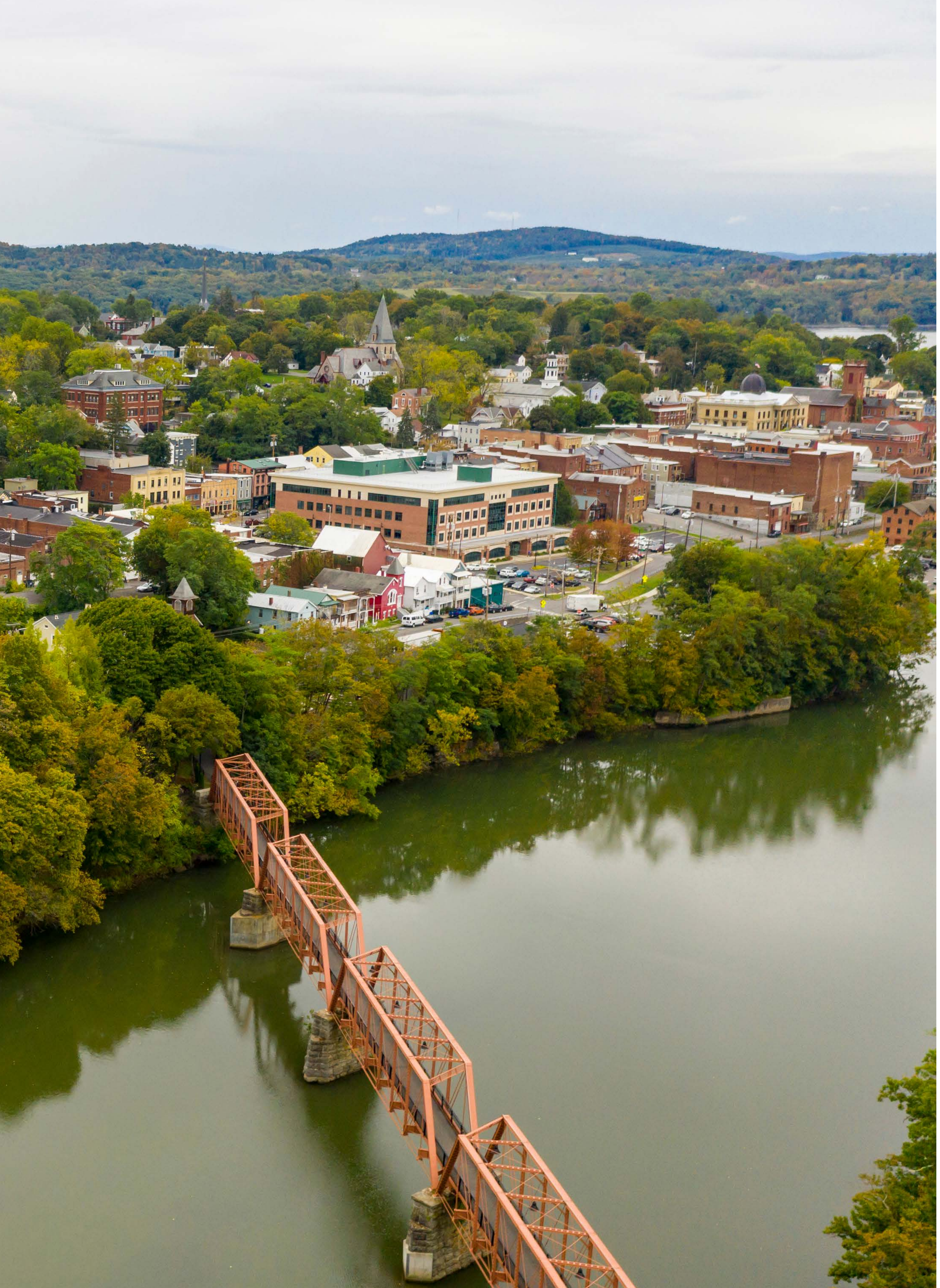


WEEK OF JUNE 26, 2023

Market Update

Quick Hits

1. **Report releases:** Existing home sales increased in May after two months of falling sales
2. **Financial market data:** Investors took a breather from their recent buying streak
3. **Looking ahead:** Both consumer confidence and personal spending are due out

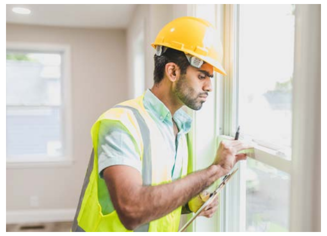
Market Update—June 26, 2023

Report Releases: June 19–23, 2023

National Association of Home Builders Housing Market Index
June (Monday)

Home builder sentiment increased more than expected in June as the index set a new 2023 high of 55 to start the month. Faster sales growth in May helped support improved sentiment for home builders.

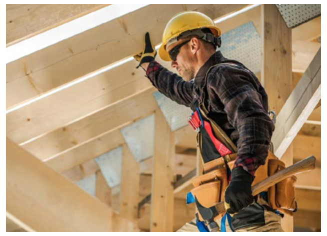
- Expected/prior month sentiment: 51/50
- Actual sentiment: 55



Housing Starts and Building Permits
May (Tuesday)

Both housing starts and building permits increased notably in May. These are volatile metrics on a month-to-month basis, however, and both measures of new home construction remain well below the recent highs we saw in 2021 and early 2022.

- Expected/prior month housing starts monthly change: –0.1%/–2.9%
- Actual housing starts monthly change: +21.7%
- Expected/prior month building permits monthly change: 0.6%/–1.4%
- Actual building permits monthly change: +5.2%



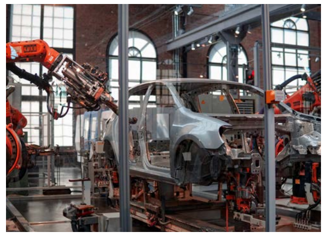
Existing Home Sales
May (Thursday)

Existing home sales increased modestly in May, breaking a streak of two consecutive months with falling sales. Supply constraints and high mortgage rates continued to serve as a headwind for prospective home buyers.

- Expected/prior month existing home sales monthly change: –0.7%/–3.2%
- Actual existing home sales monthly change: +0.2%

Standard & Poor's Global US Composite PMI
June (Friday)

The S&P Global U.S. Composite dropped to 53 from 54.3 as both services and manufacturing PMI declined in June. Manufacturing, now at 46.3 from 48.4 in May, fell deeper into contractionary territory. This was well below expectations of 48.7. Services came in slightly better than expected at 54.1.



>> The Takeaway

- The housing market bucked the recent down trend in May
- The U.S. economy remained in expansionary territory as the service sector insulated the economy from a weakening manufacturing segment

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−1.37%	4.14%	14.19%	16.55%
Nasdaq Composite	−1.43%	4.36%	29.47%	21.21%
DJIA	−1.67%	2.61%	2.86%	12.34%
MSCI EAFE	−3.35%	2.84%	9.84%	17.44%
MSCI Emerging Markets	−3.60%	3.84%	4.93%	2.58%
Russell 2000	−2.86%	4.23%	4.18%	8.09%

Source: Bloomberg, as of June 23, 2023

The S&P 500 broke its five-week streak of weekly gains. Despite the pause from the Federal Reserve (Fed) at its June meeting, the commentary about potential future hikes in the second half of the year had investors taking a breather from their recent buying. Health care, consumer discretionary, and consumer staples were among the best performers while real estate, energy, utilities, and technology were among the laggards for the week. International markets and small caps led the sell-off as the Chinese central bank cut lending rates to spur economic activity and developed international markets continued to deal with elevated inflation.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−0.10%	2.36%	−0.02%
U.S. Treasury	−0.38%	1.97%	−1.01%
U.S. Mortgages	0.02%	2.33%	−0.16%
Municipal Bond	1.02%	2.69%	3.58%

Source: Bloomberg, as of June 23, 2023

Moves in the Treasury markets were relatively muted last week. There was a slight pickup in the inversion of the yield curve as short-term yields rose slightly and longer-term yields declined. The 2-year rose 3 basis points (bps) to 4.75 percent. The 10-year and 30-year yields each fell 3 bps to close the week at 3.74 and 3.82 percent, respectively.

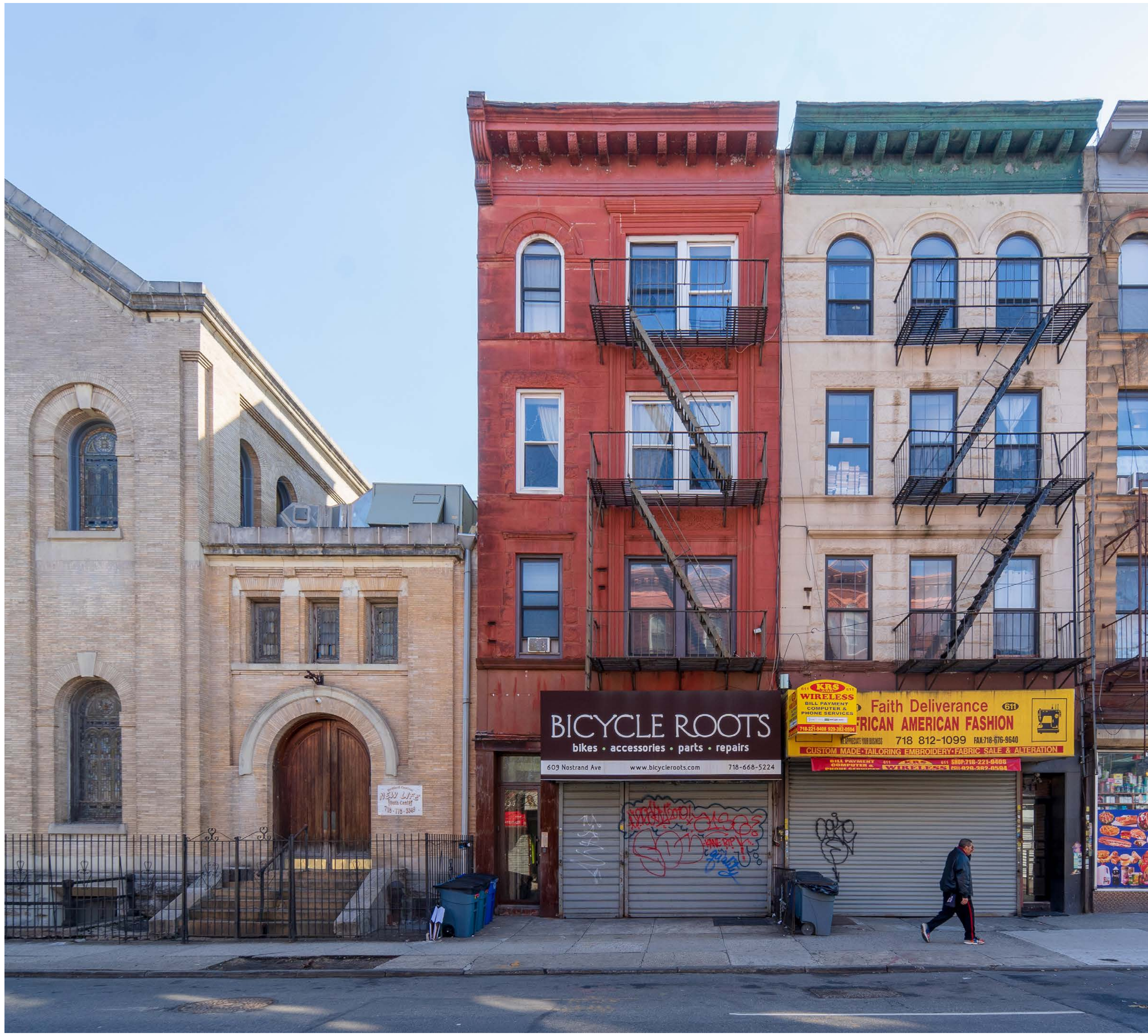
>> The Takeaway

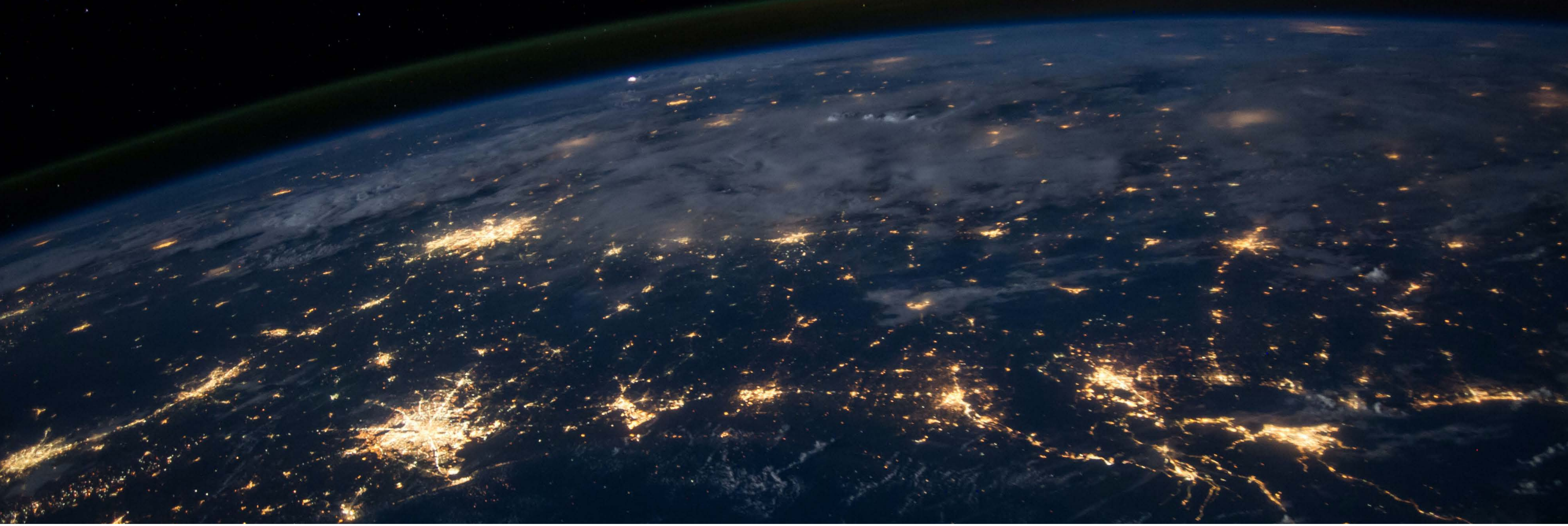
- Stock sold off as investors took a breather from their recent buying streak
- The yield curve became slightly more inverted due to concerns over sticky inflation and slower global growth

Looking Ahead

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

- The week will kick off on Tuesday with the release of **durable goods orders** for May. Headline durables goods orders are set to fall; however, core orders are expected to remain unchanged.
- Tuesday will also see the release of the **Conference Board's Consumer Confidence Index** for June. Consumer confidence is set to improve modestly, which would be an encouraging sign for future consumer spending reports.
- Wednesday will see the release of **retail inventories** for May. Inventories have come down after the large buildup in 2022.
- Finally, **personal income and spending reports** for May will be released on Friday. Personal income and spending are both set to increase in May, albeit at a slower rate than the increases we saw for both in April.





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.®