



WEEK OF JULY 31, 2023

Market Update

Quick Hits

1. **Report releases:** Gross domestic product (GDP) growth accelerated in the second quarter despite higher rates from the Federal Reserve (Fed).
2. **Financial market data:** A recovery in advertising supported Alphabet and Meta earnings.
3. **Looking ahead:** Job openings and the employment report are slated for release.



Report Releases: July 24–28, 2023

Conference Board Consumer Confidence July (Tuesday)

Consumer confidence improved more than expected in July, bringing the index to a two-year high and highlighting continued consumer resilience.

- Expected/prior month consumer confidence: 112.0/110.1
- Actual consumer confidence: 117.0



FOMC Rate Decision July (Wednesday)

The Fed hiked the federal funds rate by 25 basis points (bps) at its July meeting, which was widely expected by investors and economists. Looking forward, the central bank is not expected to make any further hikes this year; however, that outlook could change on a meeting-by-meeting basis.

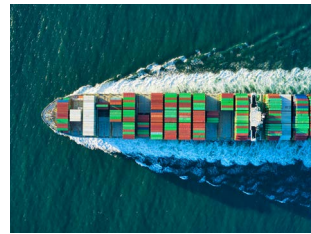
- Expected/prior federal funds rate upper bound: 5.50%/5.25%
- Actual federal funds rate upper bound: 5.50%



Second-Quarter GDP Advanced Report (Thursday)

The first look at GDP growth in the second quarter showed faster-than-expected economic growth, with the 2.4 percent annualized increase beating both the 2 percent growth rate in the first quarter and economist estimates for a more modest 1.8 percent increase.

- Expected/prior GDP annualized QOQ: +1.8%/+2.0%
- Actual GDP annualized QOQ: +2.4%



Personal Spending and Personal Income June (Friday)

Personal spending increased more than expected in June, with both headline and inflation-adjusted spending beating economist expectations.

- Expected/prior personal income monthly change: +0.5%/+0.5%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.4%/+0.2%
- Actual personal spending change: +0.5%



>> The Takeaway

- July data showed consumers continuing to spend despite lower-than-expected income growth as well as higher-than-expected confidence
- The Fed hiked another 25 bps in its July meeting and isn't currently expected to hike again for the remainder of the year

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.03%	3.06%	20.47%	12.85%
Nasdaq Composite	2.03%	3.86%	37.43%	16.58%
DJIA	0.66%	3.15%	8.24%	10.31%
MSCI EAFE	0.92%	3.09%	15.12%	16.63%
MSCI Emerging Markets	2.85%	5.84%	11.02%	7.96%
Russell 2000	1.09%	4.97%	13.45%	6.74%

Source: Bloomberg, as of July 28, 2023

Earnings from Alphabet (GOOG/GOOGL) and Meta Platforms (META) led equities higher as a recovery in advertising demand supported both companies. More than 160 of the S&P 500 companies reported, with another 170 slated to report in the week ahead. Materials and energy also performed well as the Fed issued its potentially final hike of 2023. Utilities and real estate struggled; falling inflation may lead investors to seek out bonds for income over these dividend-oriented sectors.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.20%	1.89%	-3.49%
U.S. Treasury	-0.47%	1.11%	-4.12%
U.S. Mortgages	-0.12%	1.74%	-4.70%
Municipal Bond	0.41%	3.09%	0.94%

Source: Bloomberg, as of July 28, 2023

The 10-year U.S. Treasury yield closed above 4 percent on Thursday. U.S. treasuries beyond the 5-year maturity continue to sell off amid the recent rally in equities. We will see if the 10-year will hold this level, as it cleared 4 percent earlier this month.

>> The Takeaway

- Equity investors continue to take on risk as tech and emerging markets both continue to rally
- Mid- to long-term Treasury yields have risen with investors having sold off due to the equity rally

Looking Ahead

The upcoming releases will provide greater insight into both the health of the U.S. economy and the employment picture.

- The week will kick off on Tuesday with the release of the **ISM Manufacturing report** for July. Manufacturer confidence is expected to improve modestly in July; however, the index is set to remain in contractionary territory.
- Tuesday will also see the release of the **Job Openings and Labor Turnover Survey (JOLTS)**. Job openings could surpass the March low of 9,745,000, but continue to be well above pre-Covid levels of roughly 7 million job openings.
- Thursday will see the release of the **ISM Services report** for July. The S&P Global U.S. Composite PMI is expected to land at 52 while service sector confidence is set to fall slightly in July after surging past expectations in June.
- Friday will wrap the week up with the **employment report** for July. Economists expect to see continued solid hiring during the month, with forecasts calling for 200,000 additional jobs in July.





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Authored by the Investment Research team at Commonwealth Financial Network®

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