Weekly Market Recap

January 23, 2023

	Price	Price Returns	
Index	**Close**	**Week**	**YTD**
S&P 500® Index	3,973	-0.7%	3.5%
Dow Jones Industrial Average	33,375	-2.7%	0.7%
NASDAQ	11,140	0.6%	6.4%
Russell 2000® Index	1,867	-1.0%	6.0%
MSCI EAFE Index	2,070	-0.5%	7.0%
Ten-Year Treasury Yield	3.48%	0.0%	-0.4%
Oil WTI[1] ($/bbl[2])	$81.73	2.3%	1.8%
Bonds[3]	$100.09	0.2%	3.6%

[1]WTI = West Texas Intermediate Oil. [2]bbl = Barrel. [3]Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

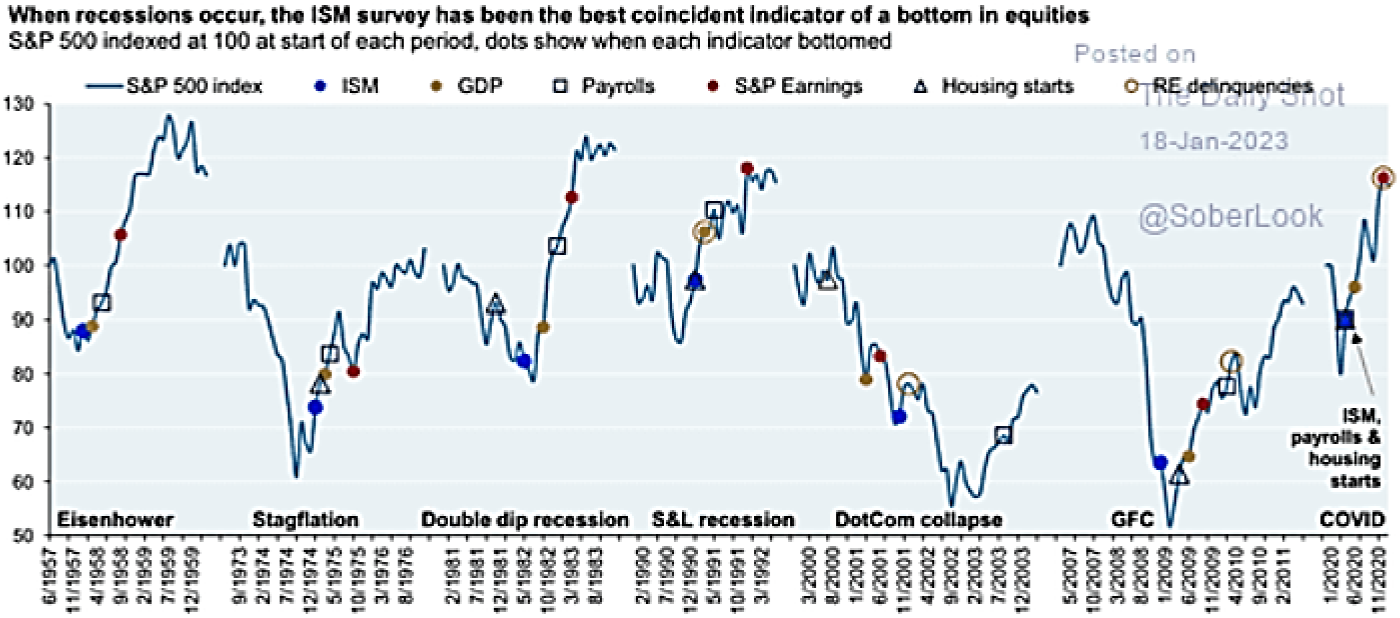
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -0.7% as weaker-than-expected economic data, softer-than-expected earnings reports, and the Federal Reserve (Fed)'s consistent raise-and-hold messaging weighed on sentiment for equities. According to FactSet's latest Earnings Insight report thus far (with 11% of the S&P 500 Index having reported), the blended earnings decline for the quarter is -4.6%, lower than the -3.2% decline expected as of 12.31.2022. December retail sales declined -1.1% year-over-year as Americans cut back on sales of furniture, electronics, and other discretionary purchases, as well as a drop in sales at gas stations. The ten-year yield dropped nine basis points (bps) to 3.5%. The dollar was weaker, gold rose +0.3%, and WTI rose +2.3%.

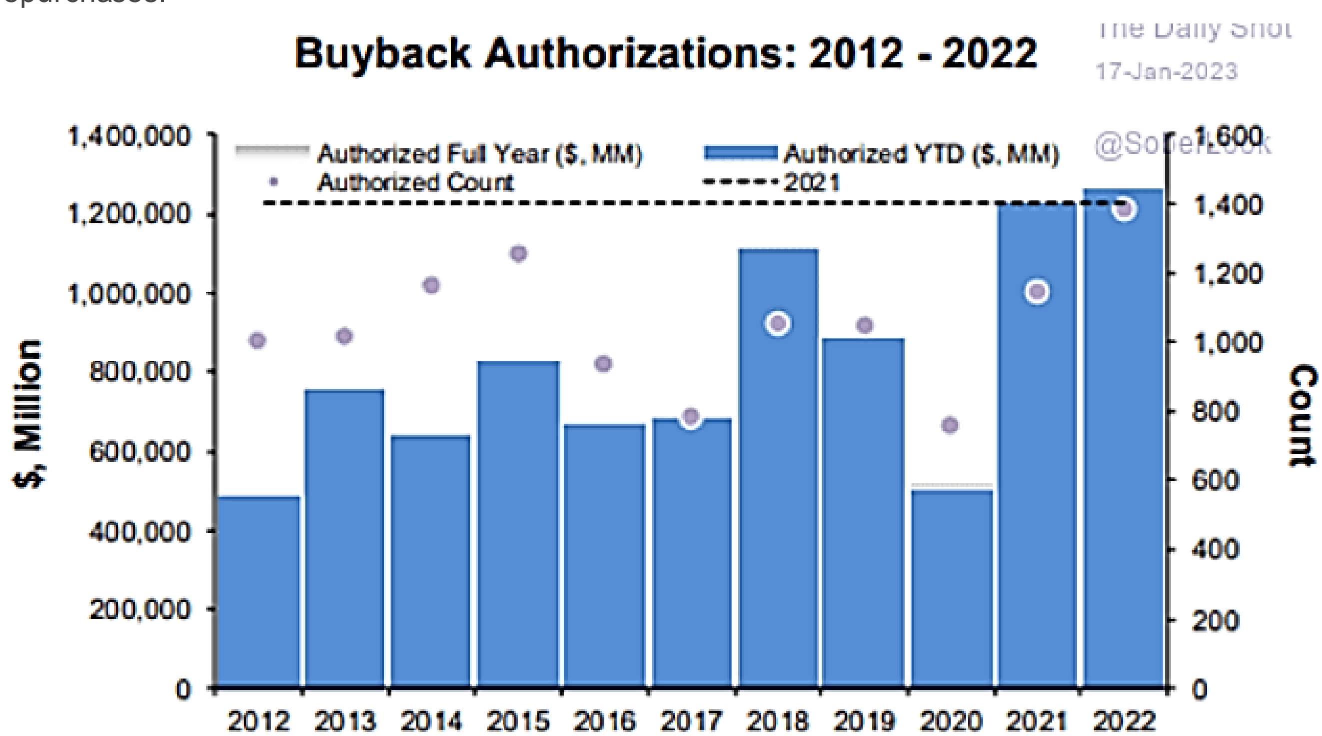
- S&P 500 Index Sector Returns:
  - Communication services (+3.0%) rose, led by internet, traditional media, streaming, and social media stocks.
  - Energy (+0.7%) outperformed, as the price of WTI rose +2.3%.
  - Technology (+0.7%) outperformed, with strength from semiconductors and select software stocks.
  - Consumer discretionary (-0.5%) fell, led by Tesla (+9.0%) and travel stocks.
  - Real estate investment trusts (REITs) (-0.7%) fell, with weakness in cell towers and offices.
  - Healthcare (-1.1%), consumer staples (-2.9%) and utilities (-2.9%) underperformed, as investors favored less-defensive stocks.
  - Materials (-1.2%) fell, with weakness in precious metals miners and chemical companies.
  - Financials (-2.9%) fell, led by the banks.
  - Industrials (-3.4%) dropped, led lower by the airlines, transportation/logistics, and aerospace and defense stocks.

- Historically, the bottom in the Institute of Supply Management (ISM) survey (comprised of purchasing managers at more than 300 manufacturing firms) occurred around equity market bottoms.



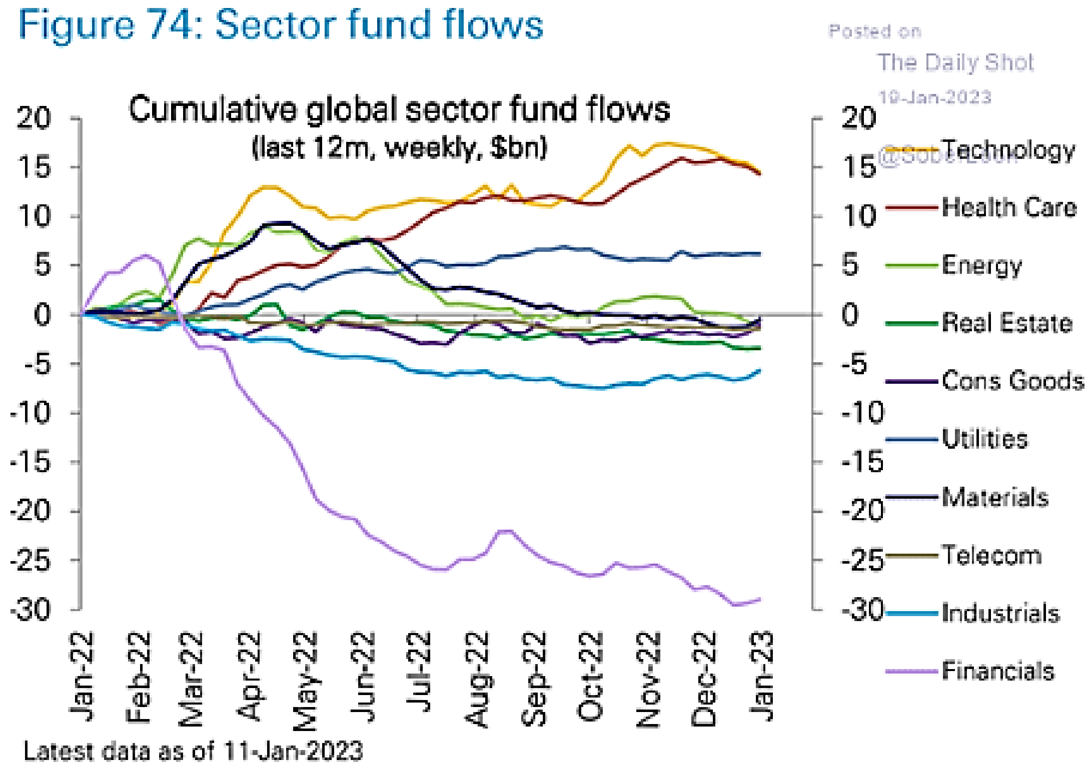
Sources: JP Morgan; BEA; Census; NAR; Shiller; Bloomberg; S&P Dow Jones; The Daily Shot.

- Despite the challenging market conditions in 2022, companies set a new record last year for stock repurchases.



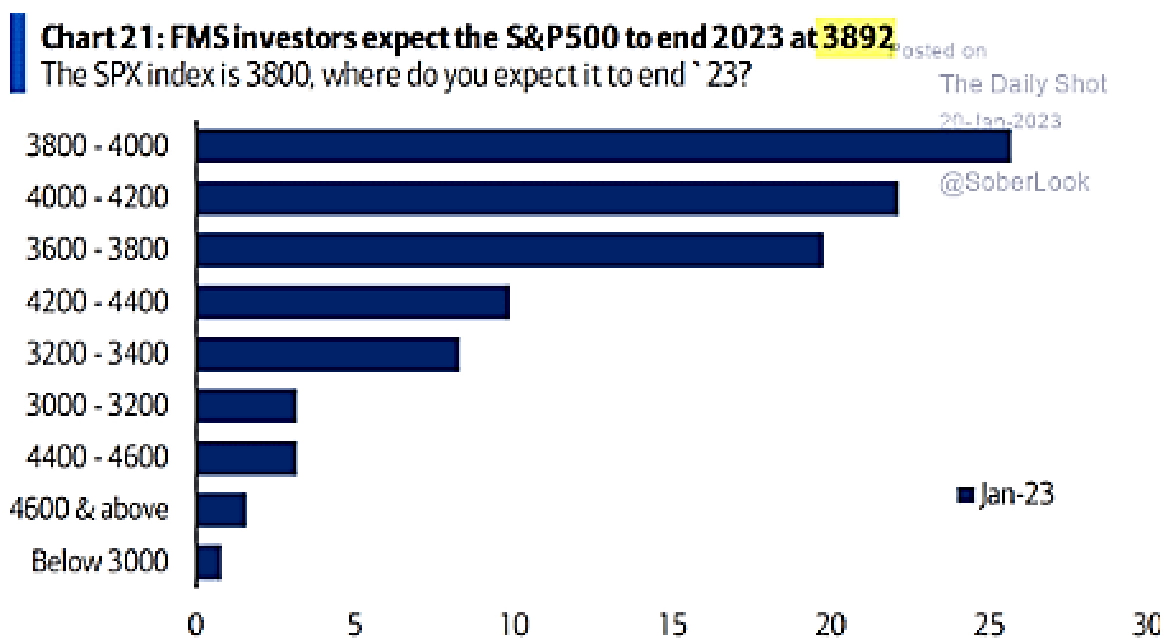
Sources: Birinyi Associates; The Daily Shot.

- Over the last year, cumulative global fund flows saw in-flows for the technology, healthcare, and utilities sectors, but outflows for the financial sector.



Sources: Deutsche Bank; Bloomberg L.P.; The Daily Shot.

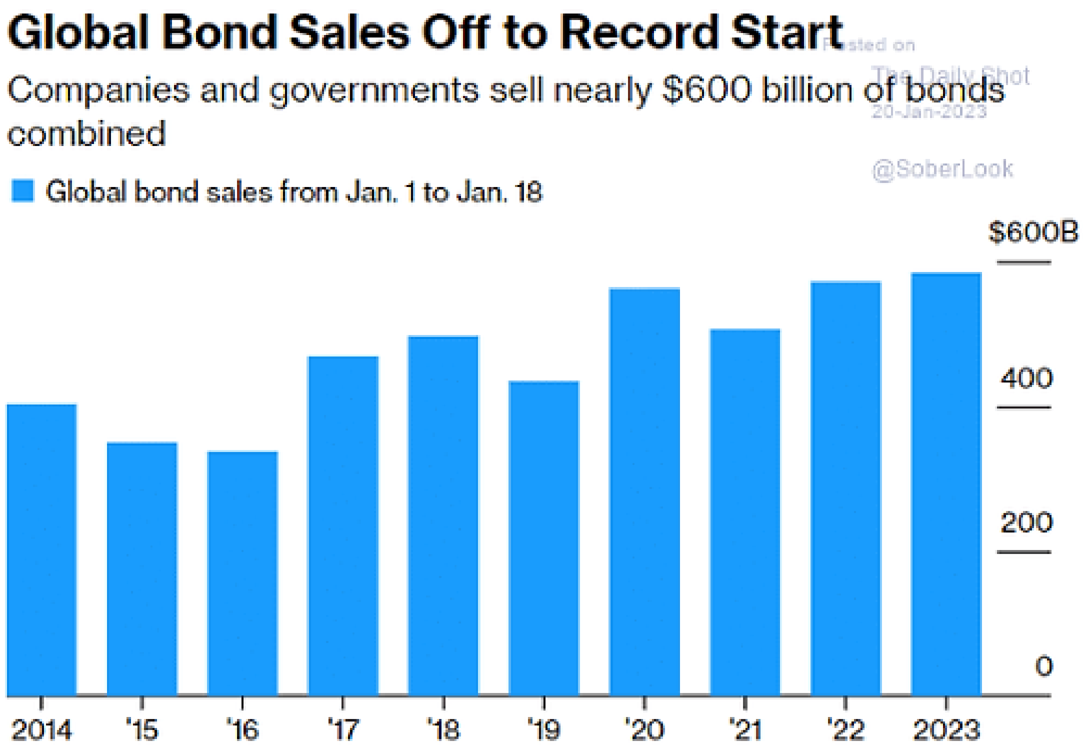
- Fund managers expect the S&P 500 Index to end 2023 at 3,892, according to Bank of America's Fund Manager Survey (FMS).



Sources: Bank of America Fund Manager Survery; The Daily Shot.

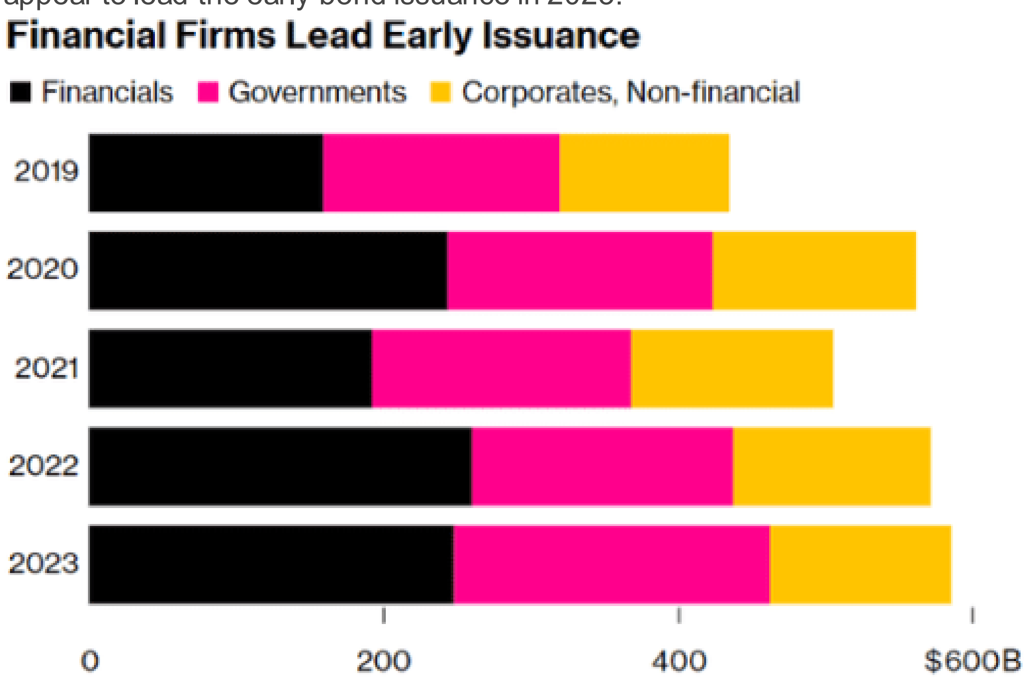
Fixed Income Markets

- Global bond sales from companies and governments reached nearly $600B through 01.18.2023.



Sources: Bloomberg L.P.; The Daily Shot.

- Financial firms appear to lead the early bond issuance in 2023.



X axis is global bond sales from January 1 to January 18. Sources: Bloomberg L.P.; The Daily Shot.

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U.S. Economic and Political News

- The Labor Department reported that producer prices fell -0.5% in December, the biggest drop since early in the pandemic.
- December industrial production fell by -0.7%, the most since September 2021, driven by a -1.3% drop in manufacturing output.

International Markets and News

- The Chinese stock market (Shanghai Composite) rose +2.1% as December economic indicators of industrial output and retail sales came in better than expected, while fixed-asset investment rose broadly in-line with estimates.
  - For 2023, economists forecast that China's gross domestic product (GDP) will recover close to 5.0% as infections subside and domestic demand accelerates, which is above the 3.0% growth for 2022.
- European markets (STOXX 600 Index) fell modestly as European Central Bank (ECB) President Christine Lagarde dismissed market speculation that a fall in energy prices would allow the ECB to slow the pace of policy tightening and reaffirmed the ECB's hawkish policy stance.
- Japanese equities (Nikkei 225 Index) rose +1.7%, as China's reopening and the Bank of Japan's unchanged accommodative polices at the January meeting helped to improve sentiment for equities.

This Week:

- The volume of corporate earnings reports will increase this week.
- Economic data:
  - Monday: Leading Indicators;
  - Tuesday: Flash Manufacturing Purchasing Managers' Index (PMI), Flash Services PMI, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, U.S. Department of Energy (DOE) Crude Inventories;
  - Thursday: Durable Orders, Wholesale Inventories, GDP (advance), GDP Chain Price (advance), New Home Sales, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
  - Friday: Core personal consumption expenditures (PCE), Personal Spending, Personal Income, Michigan Consumer Sentiment (Final), Pending Home Sales.

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.
The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.
The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.
The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.
The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.
The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.
The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.
The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: An estimated total of **personal consumption expenditures (PCEs)** is compiled by the U.S. government monthly as one way to measure and track changes in the prices of consumer goods over time. PCEs are household expenditures. PCEs as well as personal income statistics and the PCE Price Index are released monthly in the Bureau of Economic Analysis (BEA) Personal Income and Outlays report. **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors. **Gross domestic product (GDP)** is a standard measure of a country's economic health and an indicator of its standard of living. Also, GDP can be used to compare the productivity levels between different countries. (Technical definitions are sourced from Corporate Finance Institute.)

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