

# Weekly Market Recap

January 30, 2023

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 <sup>®</sup> Index	4,071	2.5%	6.0%
Dow Jones Industrial Average	33,978	1.8%	2.5%
NASDAQ	11,622	4.3%	11.0%
Russell 2000 <sup>®</sup> Index	1,912	2.4%	8.5%
MSCI EAFE Index	2,104	1.1%	7.8%
Ten-Year Treasury Yield	3.52%	0.0%	-0.4%
Oil WTI <sup>1</sup> (\$/bbl <sup>2</sup> )	\$79.46	-2.7%	-1.0%
Bonds <sup>3</sup>	\$100.08	0.0%	3.3%

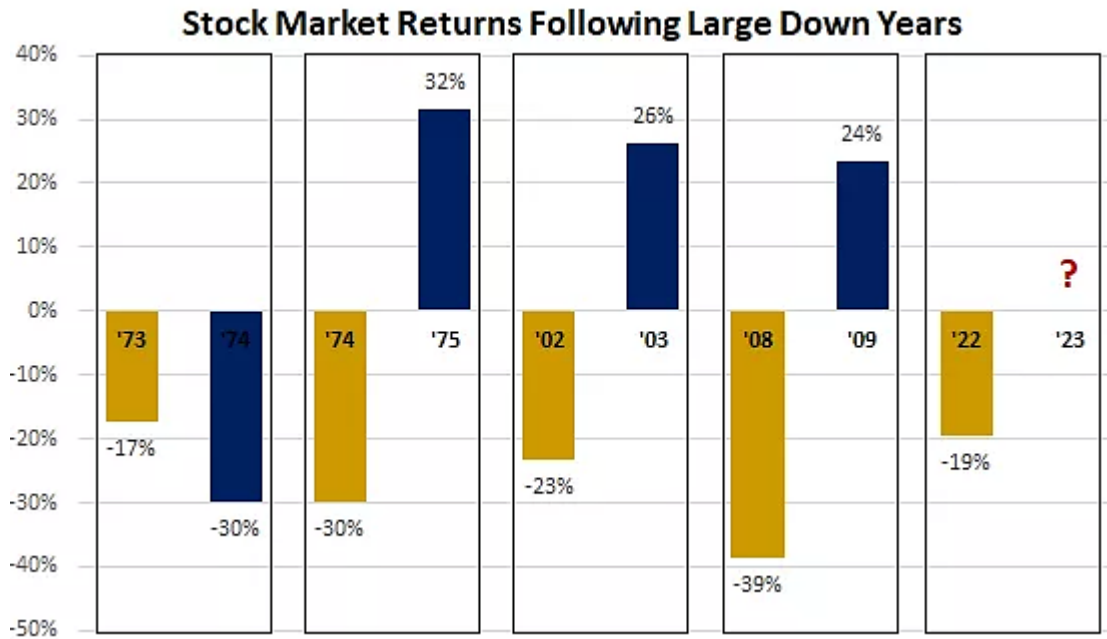
<sup>1</sup>WTI = West Texas Intermediate Oil. <sup>2</sup>bbl = Barrel. <sup>3</sup>Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

## Last Week:

### U.S. Equity Market

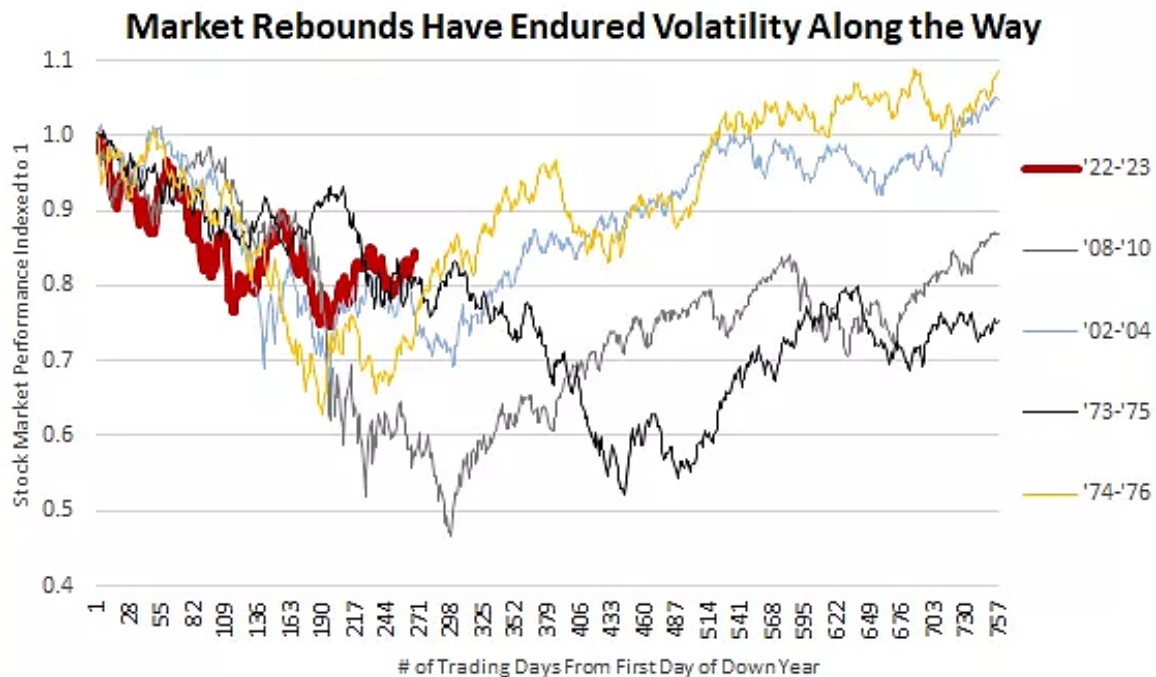
- U.S. large-cap equities (S&P 500 Index) rose +2.5% as preliminary Q4 2022 gross domestic product (GDP) rose +2.9%, above expectations. December core personal consumption expenditure (PCE) prices were reported at the lowest annual rise since April 2020 (+4.4%). According to FactSet's latest Earnings Insight report thus far (with 29% of the S&P 500 Index having reported), the blended earnings decline for the quarter is -5.0%, lower than the -3.2% decline expected as of December 31. January's final University Michigan consumer sentiment report showed a slight downtick in inflation expectations in both the short- and long-term. The ten-year yield rose four basis points (bps) to 3.52%. Gold fell modestly and WTI fell -2.7%.
- S&P 500 Index Sector Returns:
  - Consumer discretionary (+6.4%) rose, led by Tesla, Amazon, travel, auto stocks, and homebuilders.
  - Technology (+4.1%) outperformed, led by select software stocks and semiconductor stocks.
  - Communication services (+3.3%) rose, led by social media, traditional media, streaming and internet stocks.
  - Real estate investment trusts (REITs) (+2.9%) rose, with strength in data centers and cell towers.
  - Financials (+2.5%) rose, led by the banks and credit cards.
  - Industrials (+2.1%) rose, led by aerospace and defense stocks, transportation/logistics, and airlines.
  - Energy (+0.8%) underperformed, as the price of WTI fell -2.7%.
  - Materials (+0.7%) rose, with strength in precious metals miners and chemical companies.
  - Consumer staples (+0.4%), utilities (-0.5%), and healthcare (-0.9%) underperformed, as investors favored less-defensive stocks.

- Since 1950, there have been four previous calendar years when the S&P 500 Index fell more than -15.0%. In the following year, the equity market rose 12.9% on average, with the one negative consecutive year in 1974.



The gold and blue colors are total returns of the S&P 500 Index. The years are listed on the Y-axis in each bar. Sources: Edward Jones; Bloomberg L.P.

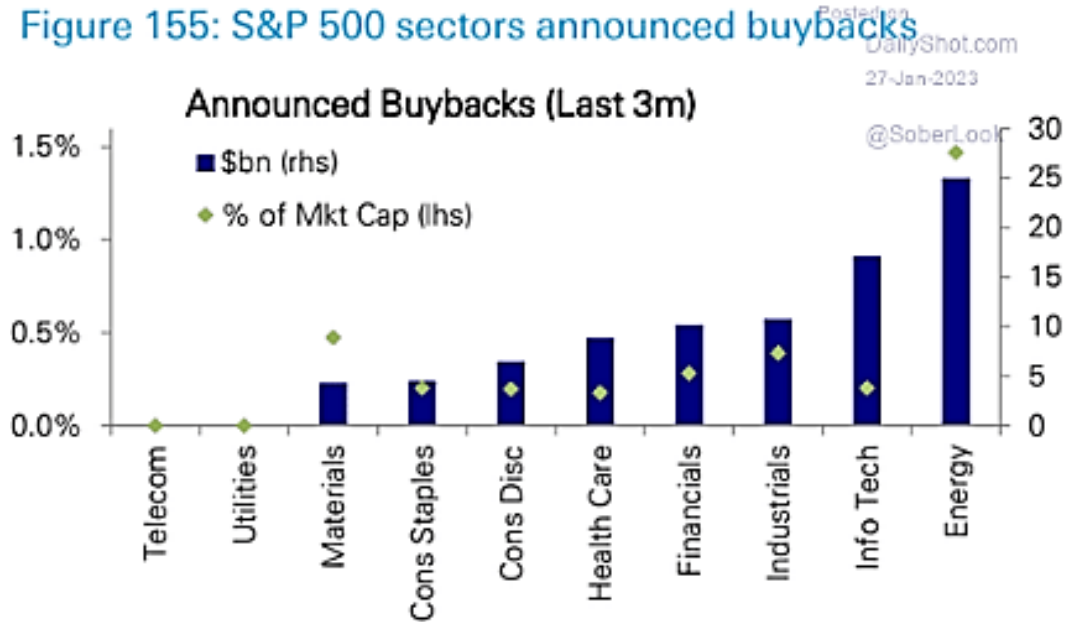
- Historically, equity market rebounds after bear markets experienced volatility throughout the multi-year recoveries.



Sources: Edward Jones; Bloomberg L.P.

- Stock buyback announcements have been greater in the energy and information technology sectors over the past three months.

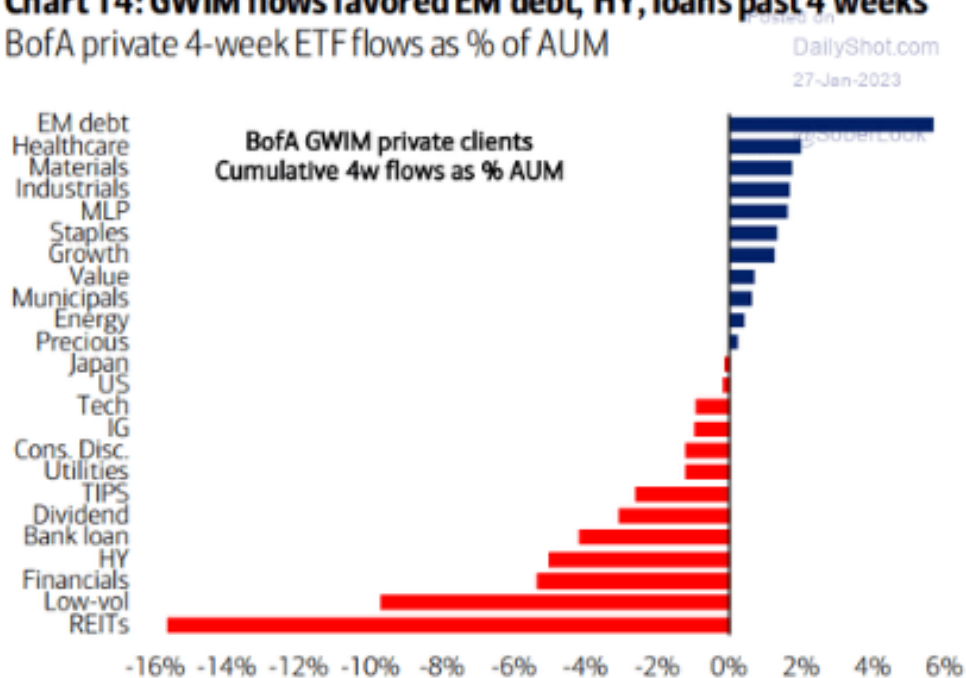
Figure 155: S&P 500 sectors announced buybacks



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

- Bank of America wealth management clients sold REITs and purchased Emerging Market (EM) bonds, healthcare stocks, and materials equities over the past four weeks.

Chart 14: GWIM flows favored EM debt, HY, loans past 4 weeks  
BofA private 4-week ETF flows as % of AUM



Source: BofA Global investment Strategy

Sources: Bank of America; The Daily Shot.

## Fixed Income Markets

- U.S. TIPS (Treasury Inflation-Protected Securities) yields continue to trend lower.

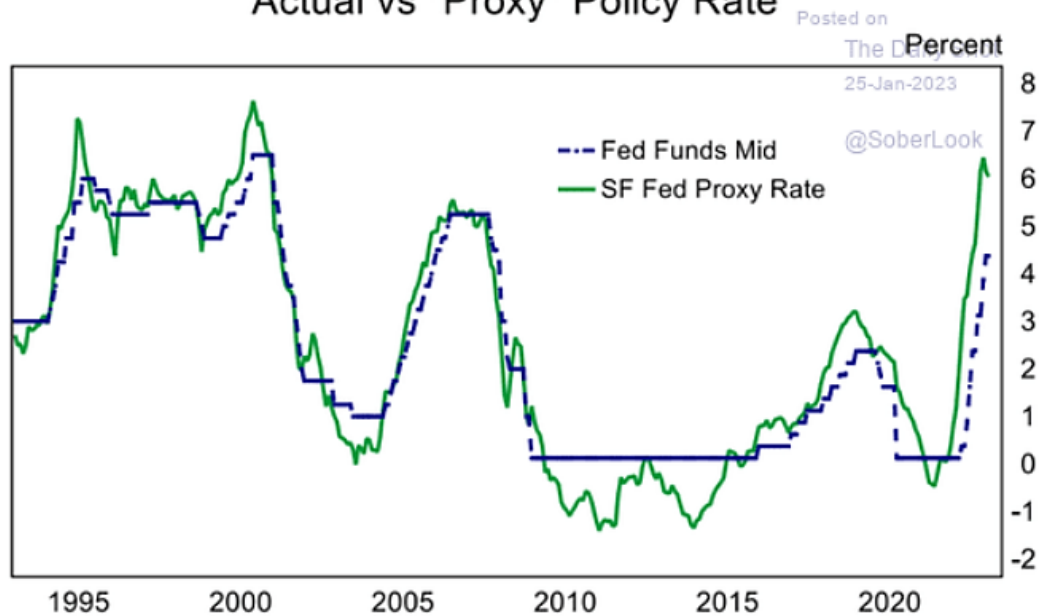
### US TIPS Yields



The red line is the 30 year TIP, the blue line is the 5 year TIP, and orange line is the 10 year TIP. Sources: Tradeweb; The Daily Shot.

- The San Francisco Federal Reserve's proxy rate (which incorporates data from financial markets to assess the broader stance of monetary policy) suggests that the U.S. Fed's tightening has been more extreme than the Federal Funds rate.

### Actual vs "Proxy" Policy Rate



Note: Monthly data through 1/2023.  
January value is a forecast.

Sources: Mizuho Securities; The Daily Shot.

## 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.
- December's headline durable goods orders were stronger than analysts expected, but a large driver of the strength was due to a strong transportation component. Core capital goods orders dropped -0.2% month-over-month but were in line with consensus expectations.
- Weekly initial jobless claims continued to recede and hit the lowest level since April 2022 with 186K.
- December new and pending home sales both came in better than consensus expectations, with easing 30-year mortgage rates likely supportive of home sales.

## International Markets and News

- The Chinese stock market (Shanghai Composite) was closed for the Lunar New Year holiday, which started on January 21, and Chinese markets will reopen on Monday, January 30.
- European markets (STOXX 600 Index) rose +0.7% despite European Central Bank (ECB) President Christine Lagarde and Klaus Knot reaffirming the ECB's hawkish policy stance.
  - An early reading on the Eurozone composite Purchasing Managers' Index (PMI) (which measures manufacturing and services output) rose to 50.2 in January from 49.3 in December. PMI readings greater than 50 indicate expansion.
- Japanese equities (Nikkei 225 Index) rose +3.1% as equity sentiment improved from strength in U.S. economics and equity markets, which seemed to outweigh Tokyo's January core consumer price inflation of 4.3% year-over-year.

## This Week:

- The volume of corporate earnings reports will increase this week.
- Economic data:
  - Monday: Limited U.S. data;
  - Tuesday: Employment Cost Index, Federal Housing Finance Agency (FHFA) House Price Index, Case-Shiller Home Price Index, Chicago PMI, Consumer Confidence, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
  - Wednesday: Federal Open Market Committee (FOMC) Meeting, Fed Funds Target Upper Bound, Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Automatic Data Processing (ADP) Employment Report, Manufacturing PMI, Construction Spending, Institute for Supply Management (ISM) Manufacturing Index, Job Openings and Labor Turnover Survey (JOLTS), U.S. Department of Energy (DOE) Crude Inventories;
  - Thursday: Challenger Job Cuts, Unit Labor Costs (preliminary), Productivity (preliminary), Factory Orders, Energy Information Administration (EIA) Natural Gas Inventories, Weekly Jobless Claims;
  - Friday: Nonfarm Payrolls, Unemployment Rate, Average Weekly Hours, Average Hourly Earnings, Services PMI, ISM Non-Manufacturing Index.

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 depository 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: **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. 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. **Treasury inflation-protected securities (TIPS)** are a type of Treasury security issued by the U.S. government. TIPS are indexed to inflation in order to protect investors from a decline in the purchasing power of their money. As inflation rises, rather than their yield increasing, TIPS instead adjust in price (principal amount) in order to maintain their real value. The term **federal funds rate** refers to the target interest rate set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other overnight. The FOMC, which is the policymaking body of the Federal Reserve System, meets eight times a year to set the target federal funds rate, which is part of its monetary policy. This is used to help promote economic growth. **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. (Technical definitions are sourced from Corporate Finance Institute.)

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