Weekly Market Recap

March 13, 2023

	Price	Price Returns	
Index	**Close**	**Week**	**YTD**
S&P 500® Index	3,862	-4.5%	0.6%
Dow Jones Industrial Average	31,910	-4.4%	-3.7%
NASDAQ	11,139	-4.7%	6.4%
Russell 2000® Index	1,773	-8.1%	0.7%
MSCI EAFE Index	2,063	-0.4%	7.4%
Ten-Year Treasury Yield	3.70%	0.3%	-0.2%
Oil WTI[1] ($/bbl[2])	$76.52	-4.0%	-4.7%
Bonds[3]	$98.09	1.0%	0.5%

[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.

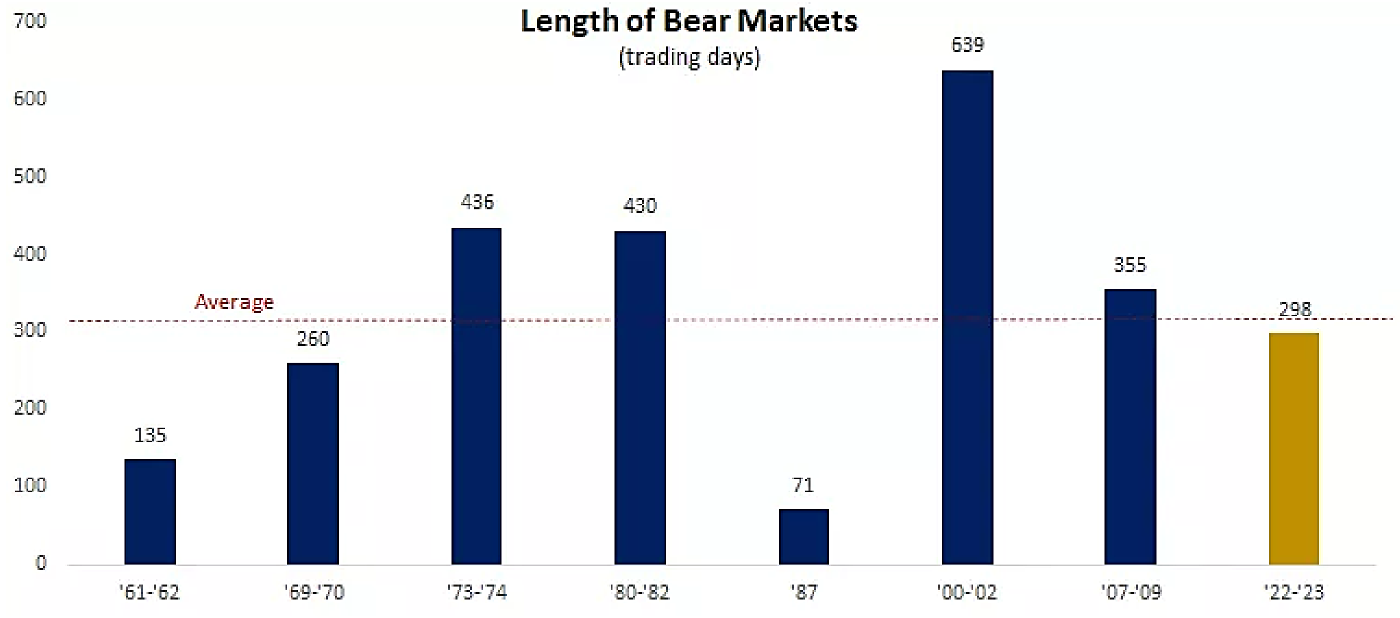
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) fell -4.5% this week (the worst week since September 2022) as banks led the market lower after Silicon Valley Bank was taken over by U.S. regulators on Friday (the second-largest bank failure since the 2008 collapse of Washington Mutual). Earlier in the week, Federal Reserve (Fed) Chair Jerome Powell told the Senate Banking Committee that if data indicated that faster tightening is warranted, the Fed is prepared to increase the pace of rate hikes, which pushed the odds of a 50 basis points (bps) hike at the March 22 Fed meeting to 80%. After the Silicon Valley Bank failure and a cooler-than-expected average hourly earnings growth report for February, the odds of a 50 bps rate hike at the March meeting fell to 40%. Similarly, the futures market priced a terminal rate of 5.80% before Friday's news dropped expectations to a 5.25% terminal rate. The ten-year yield dropped 26 bps to 3.70%. The dollar index was little changed, gold rose +0.7%, and WTI fell +4.0%.

- S&P 500 Index Sector Returns:
  - Consumer staples (-1.9%), utilities (-2.9%), and healthcare (-4.0%) outperformed, as investors favored more defensive stocks.
  - Technology (-3.1%) outperformed, with strength from mega-cap stocks.
  - Communication services (-4.1%) fell, led lower by traditional media, social media, streaming, and internet stocks.
  - Industrials (-4.5%) fell, led lower by the aerospace and defense stocks, airlines, and transportation/logistics equities.
  - Energy (-5.4%) fell, as the price of WTI fell -4.0%.
  - Consumer discretionary (-5.6%) fell, led lower by travel stocks, autos, and retailers.
  - Real estate investment trusts (REITs) (-7.0%) fell, with weakness in office and commercial REITs.
  - Materials (-7.6%) fell, with weakness in chemical companies.
  - Financials (-8.5%) underperformed, with weakness from the banks due to the failure of Silicon Valley Bank.

- The current bear market is maturing and potentially making progress towards an eventual new expansion.



Sources: S&P Global; FactSet; Edward Jones.

- The chart below shows the current bear market performance over the last 298 days (gold line) compared to the historical average (blue line) for bear markets. The current bear market appears to be approaching the historical recovery point in the average bear market. Historically, equities were up an average of 16% in the ensuing one year and 28% over the following two years.

Sources: S&P Global; FactSet; Edward Jones.

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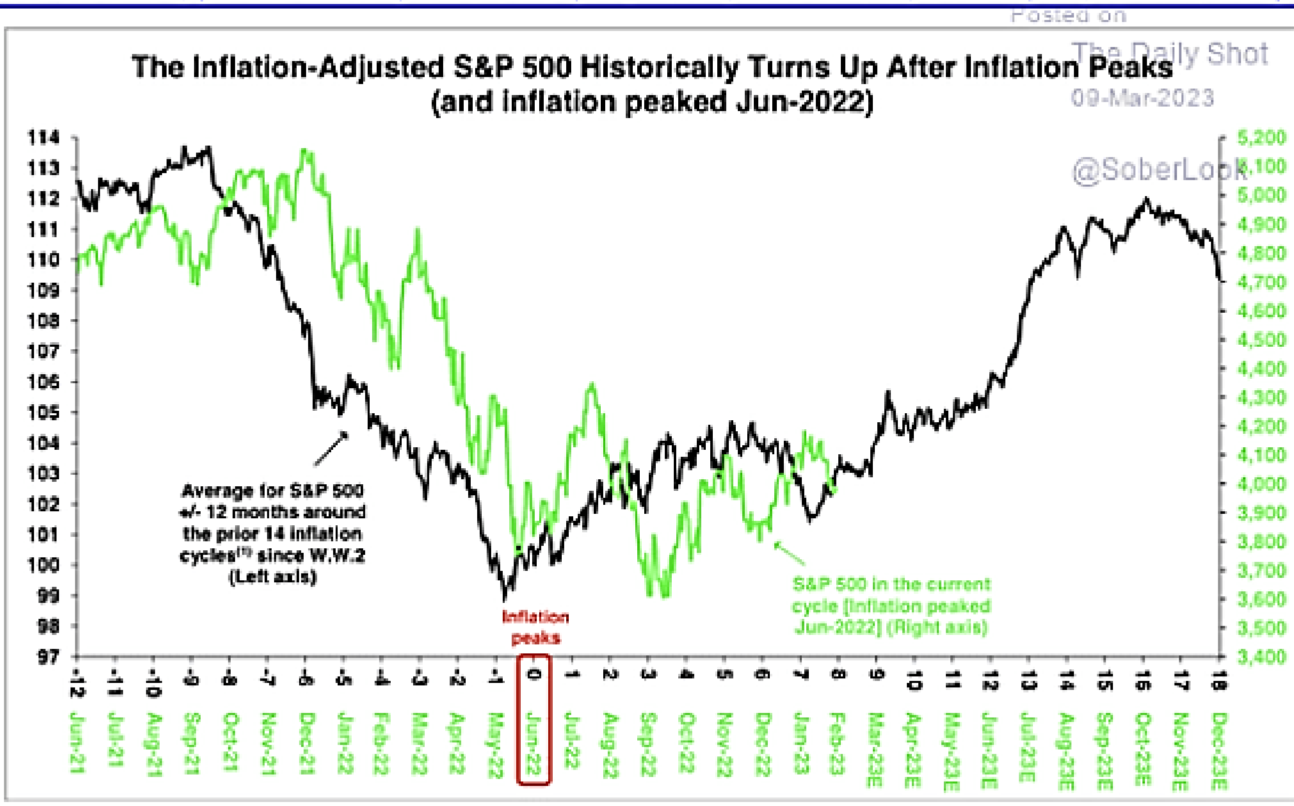
- After 298 days of a bear market, the historical average return over the next two years is a positive 28%, which includes one negative performance period of the 2000-2002 bear market (the September 11 attacks occurred in 2001.) Excluding the 2000-2002 period, all other previous bear markets experienced a positive return for the S&P 500 Index over the next two years after 298 days of trading during a bear market.

	Return 298 Days From the Start of the Bear Market	Return Over Next 1 Year	Return Over Next 2 Years
'61-'62	-8%	21%	38%
'69-'70	-27%	32%	45%
'73-'74	-19%	-9%	13%
'80-'82	-17%	31%	53%
'87	-18%	25%	18%
'00-'02	-18%	-14%	-20%
'07-'09	-44%	29%	47%
Historical Average	-22%	16%	28%
'22-'23	-19%	?	?

Sources: S&P Global; FactSet; Edward Jones.

- The S&P 500 Index historically recovers from downturns just after inflation peaks.

S&P 500 turns up just after inflation peaks and this cycle (inflation peaked Jun-2022) is tracking the post-W.W.2 average



Left Y-axis is the S&P 500 Index performance indexed to 100 based on inflation peak. Right Y-axis is S&P 500 Index current cycle level with inflation peaking in June of 2022. Stifel identified 15 major CPI peaks (including the 2022 CPI peak at 9.1% y/y in June, 2022) since 1940.
Sources: Stifel; Bloomberg L.P.; The Daily Shot.

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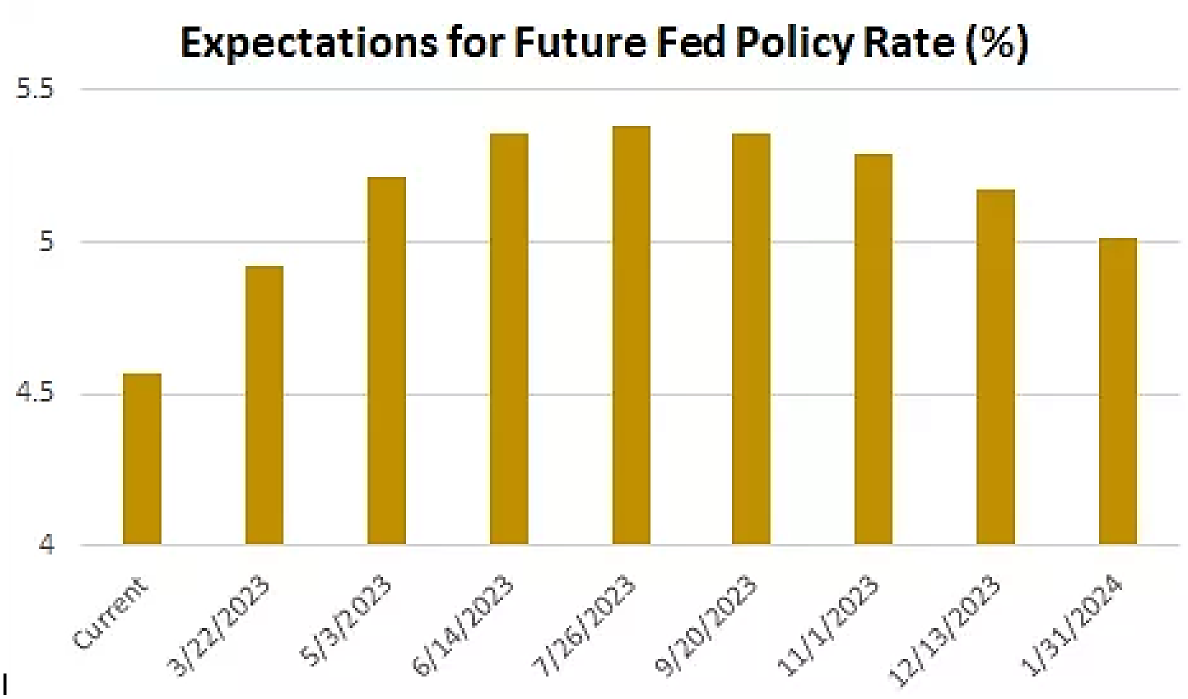
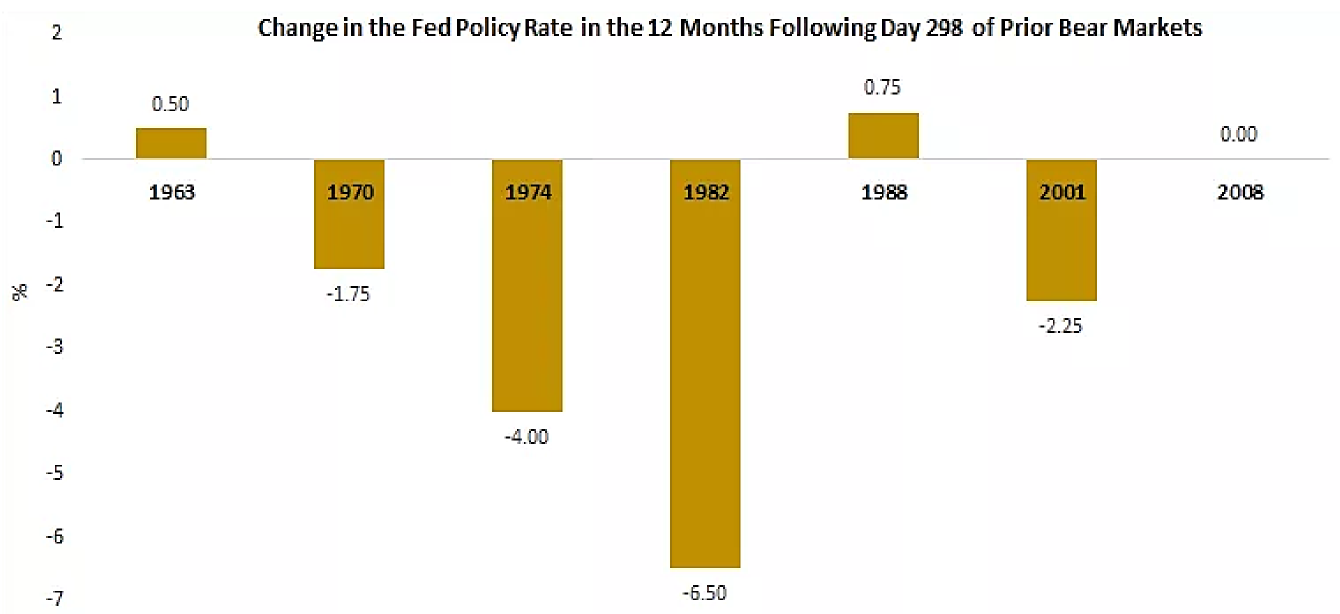
Fixed Income Markets

- The futures markets are now expecting the federal funds rate to peak in July 2023 and fall to around 5% in January 2024.



Sources: Fed Policy Rate Futures; Edward Jones.

- The chart below shows that historically, the Fed is usually done hiking by this stage in a bear market, and the one-year forward outlook usually experiences lower federal funds rates.



Y axis is Fed Funds rate. Sources: Fed Policy Rate Futures; Edward Jones.

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U.S. Economic and Political News

- Payroll processor ADP's tally of private sector employment surprised on the upside when it was released Wednesday, showing an increase of 242,000 jobs in February, which was roughly twice January's increase.
- Separate data on job openings missed expectations. Fewer people than expected quit voluntarily, which is generally considered a better sign of how Americans perceive the job market.
- Weekly unemployment claims, reported Thursday, also hit their highest level since late December, although some noted that several one-off, idiosyncratic factors may have been affecting the unemployment claim data.
- Investors appeared uncertain on how to react to Friday's official payrolls report, which showed an increase of 311,000 nonfarm jobs in February, well above consensus expectations of around 200,000. The unemployment rate rose unexpectedly from a January five-decade low of 3.4% to 3.6%.

International Markets and News

- The Chinese stock market (Shanghai Composite) fell -3.0% as Beijing set an economic target of around 5% for 2023, which was below most economists' forecasts, but represents a recovery from 3% growth in 2022.
    - China's parliament approved a plan for a sweeping reform of central government institutions under the State Council as China seeks to accelerate the development of critical technologies, such as advanced semiconductors, to reduce its reliance on U.S. technology amid rising bilateral tensions.
- European markets (STOXX 600 Index) fell -2.3% as European stocks fell along with global markets amid concerns about stress in the banking system and the potential effects of a prolonged period of elevated interest rates.
- Japanese equities (Nikkei 225 Index) rose +0.8% despite a sell-off in Japanese bank stocks on Friday. The Bank of Japan continued its commitment to its ultra-loose monetary policies, which led to a drop in the ten-year Japanese government bond yield and a decline in the Japanese yen.

Please reference important disclosures on page 7.

This Week:

- The volume of corporate earnings reports will be increase this week.
- Economic data:
    - Monday: Limited data;
    - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, Consumer Price Index (CPI), Hourly Earnings, Average Workweek, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
    - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Empire Manufacturing, Producer Price Index (PPI), Retail Sales, Business Inventories, National Association of Home Builders (NAHB) Housing Market Index, Treasury International Capital (TIC) Flows, U.S. Department of Energy (DOE) Crude Inventories;
    - Thursday: Building Permits, Export Prices, Housing Starts, Import Prices, Philadelphia Fed Index, Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
    - Friday: Capacity Utilization, Industrial Production, Leading Indicators, Michigan Consumer Sentiment (Preliminary).

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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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

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: 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 Consumer Price Index (CPI)** is a measure of the aggregate price level in an economy. The CPI consists of a bundle of commonly purchased goods and services. The CPI measures the changes in the purchasing power of a country's currency, and the price level of a basket of goods and services. **The Producer Price Index (PPI)** measures the average change over time in the prices domestic producers receive for their output. It is a measure of inflation at the wholesale level that is compiled from thousands of indexes measuring producer prices by industry and product category. (Technical definitions are sourced from Corporate Finance Institute.)

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