

Weekly Market Recap

June 5, 2023

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	4,282	1.8%	11.5%
Dow Jones Industrial Average	33,763	2.0%	1.9%
NASDAQ	13,241	2.0%	26.5%
Russell 2000 [®] Index	1,832	3.3%	0.7%
MSCI EAFE Index	2,070	-0.5%	7.0%
Ten-Year Treasury Yield	3.70%	-0.1%	-0.2%
Oil WTI ¹ (\$/bbl ²)	\$71.94	-1.0%	-10.4%
Bonds ³	\$98.14	0.6%	2.9%

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

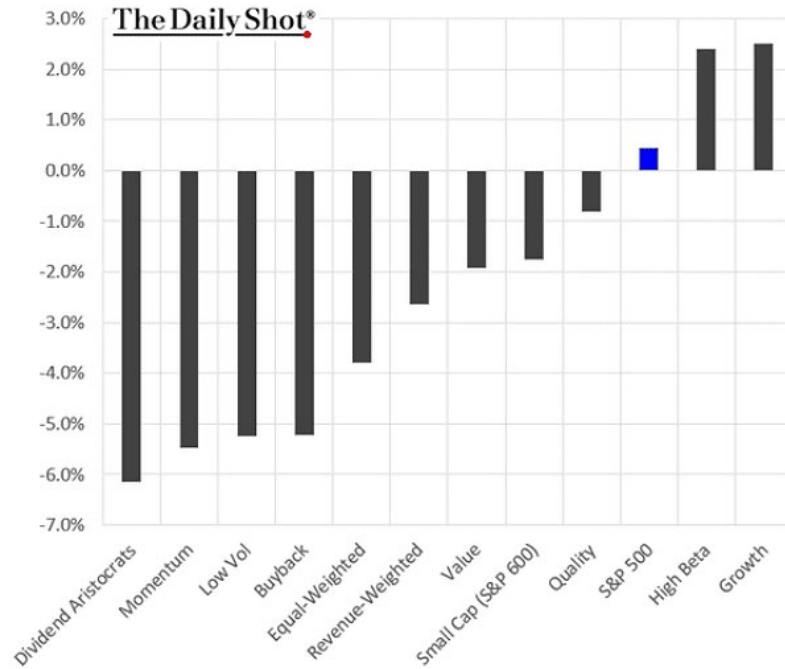
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +0.3% as investor sentiment benefitted from optimism around a debt ceiling resolution. President Biden reached a budget deal on Sunday, and the U.S. Senate passed it on Thursday, reducing expectations for another Federal Reserve (Fed) rate hike at the upcoming June 13-14 meeting. Friday's May headline payrolls came in better than expected, but Goldman Sachs said the report adds support for the Fed to pause its rate hiking trend due to the softness in hours worked and the decline in average hourly income growth (declining wage inflation). Thursday's Institute for Supply Management (ISM) Manufacturing report missed expectations and remained in contraction territory for the seventh straight month. The ten-year yield fell ten basis points (bps) to 3.70%. The dollar index fell -0.2%, gold rose +1.3%, and WTI fell -1.0%.
- S&P 500 Index Sector Returns:
 - Consumer discretionary (+3.3%) outperformed, with strength from travel stocks, autos, and home improvement retailers.
 - Real estate investment trusts (REITs) (+3.1%) rose, with strength in data centers and cell towers.
 - Materials (+2.9%) rose, led by chemical companies.
 - Industrials (+2.6%) rose, led by airlines, aerospace and defense stocks, and railroad stocks.
 - Healthcare (+2.2%) outperformed, led by managed care, hospitals, and pharmaceuticals.
 - Financials (+2.1%) rose, led by credit cards and bond rating agencies.
 - Technology (+1.4%) rose, led by software and semiconductor stocks associated with artificial intelligence.
 - Energy (+1.3%) rose, despite the price of WTI declining -1.0%.
 - Communication services (+1.1%) rose, led by social media and streaming stocks.
 - Utilities (+0.8%) and consumer staples (+0.3%) underperformed, as investors favored less-defensive stocks.

- In May, growth and high beta stocks were in favor, while dividend stocks were out of favor.

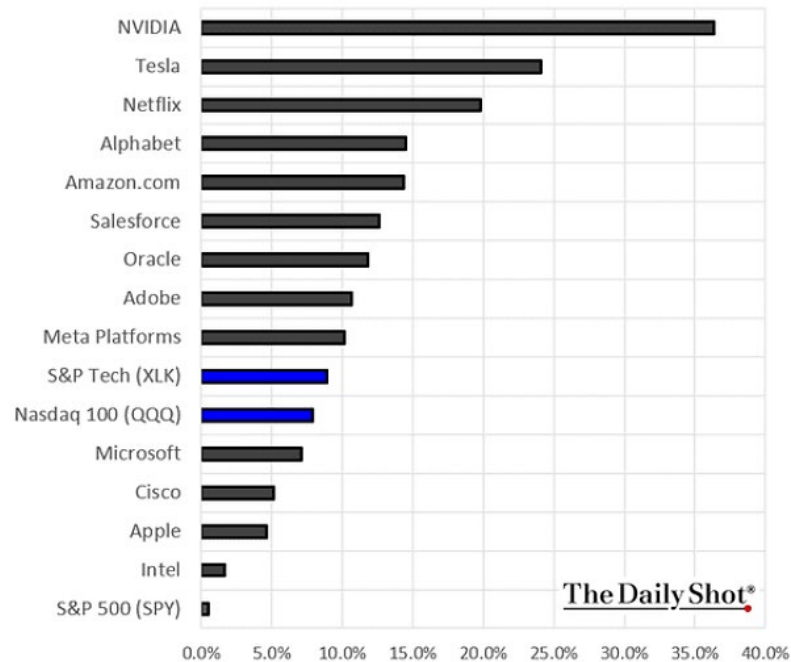
S&P 500 Equity Factor Returns (TR): 28-Apr-23 to 31-May-23



TR: total return. Source: The Daily Shot.

- Large U.S. technology-oriented firms with exposure to artificial intelligence outperformed the rest of the market in May, which was a continuation of the existing trend thus far in 2023.

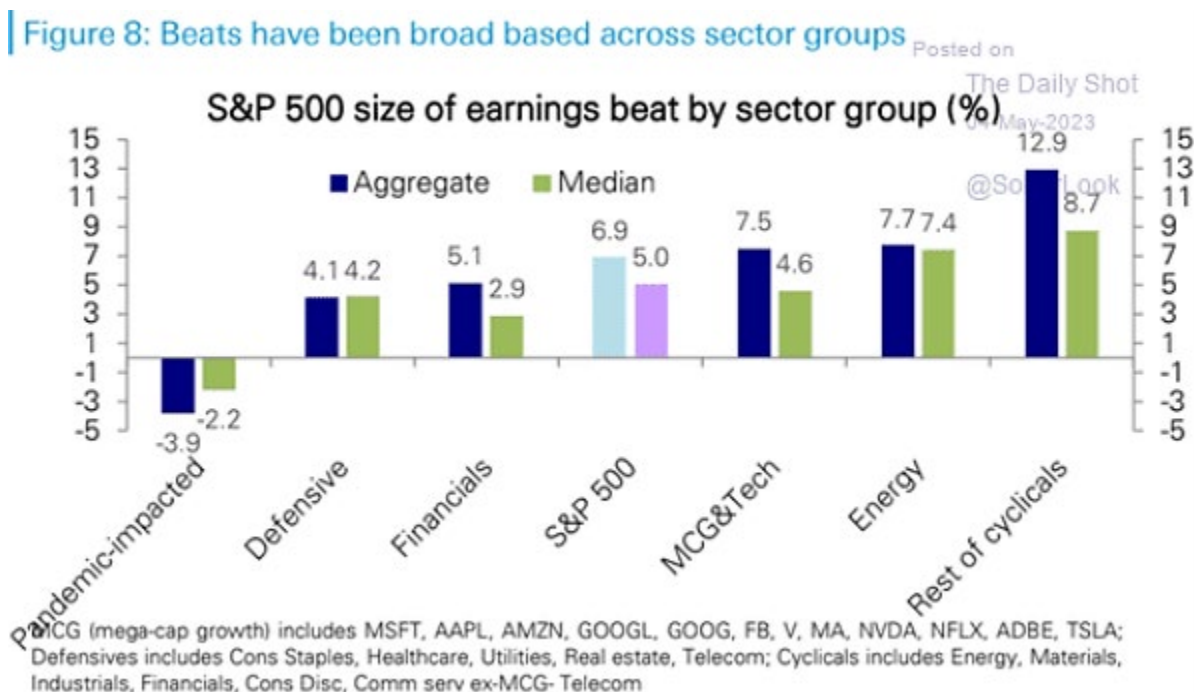
US Largest Tech Firms (TR): 28-Apr-23 to 31-May-23



TR: total return. Source: The Daily Shot.

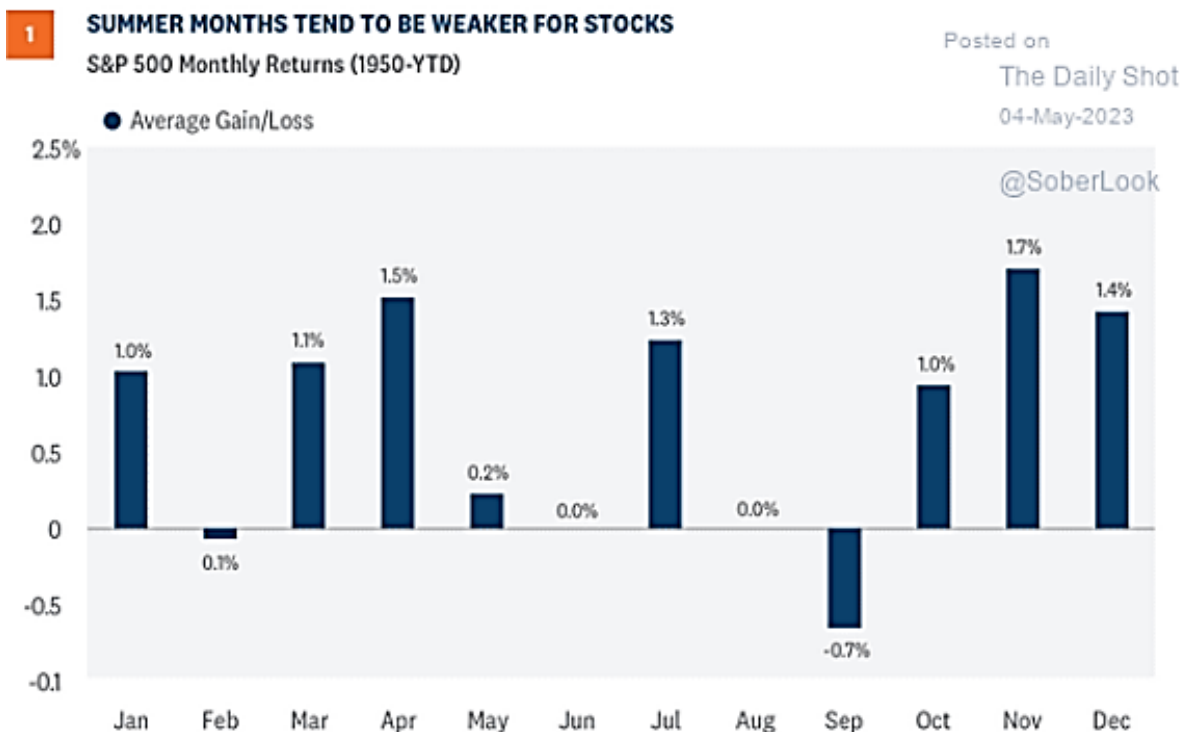
Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6.

- The chart below shows the Q1 2023 earnings beats (percentage of earnings growth ahead of expectations) for different sectors.



MCG: mega-cap growth. Sources: Bloomberg L.P.; Deutsche Bank; The Daily Shot.

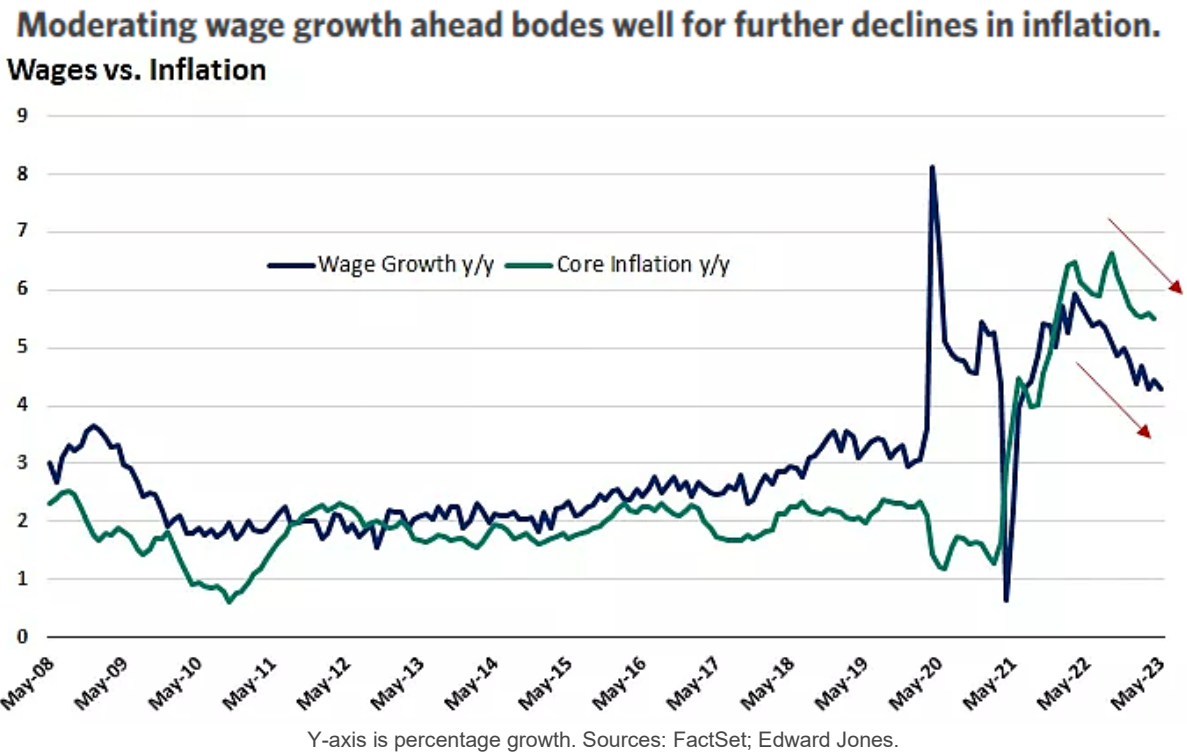
- History suggests that June, August, and September are some of the weakest months for equity performance.



Sources: BofA Global Investment Strategy; Bloomberg L.P.; The Daily Shot.

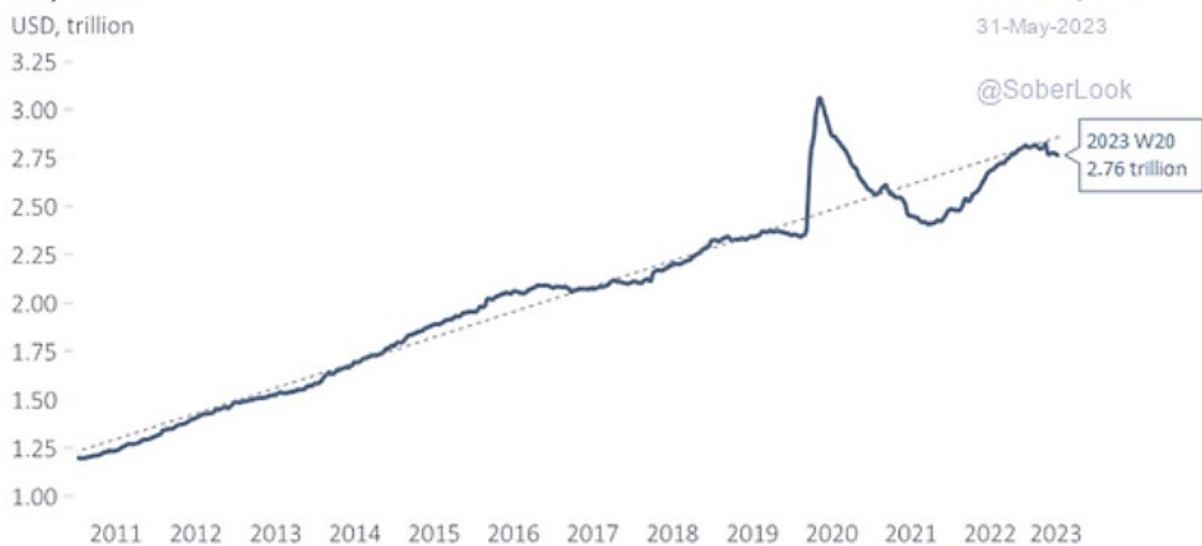
Fixed Income Markets

- The decline in the wage growth pace in May supports the case for the Fed to pause its rate hiking cycle, as both wage growth and core inflation growth trends are declining.



- Business loan balances in the banking system are declining in 2023.

United States. Loans & Leases in Bank Credit, Commercial & Industrial, SA, USD



Sources: Federal Reserve; Macrobond; Arcano Economics; The Daily Shot.

U.S. Economic and Political News

- The unemployment rate (estimated by surveys of households) surprised analysts by rising to 3.7% from 3.4%, which suggests a more difficult job market for workers.

International Markets and News

- European markets (STOXX 600 Index) rose modestly as Eurozone inflation slowed to 6.1% in May (below estimates of 6.3%) from 7.0% in April. However, European Central Bank (ECB) President Christine Lagarde reiterated that inflation was still too high and that the ECB still has ground to cover to bring interest rates to sufficiently restrictive levels.
- The Chinese stock market (Shanghai Composite) rose +0.6% with rising global equities despite China's official manufacturing Purchasing Managers' Index (PMI) falling to a below-forecast of 48.8 in May (a reading below 50 represents a contraction.)
- Japanese equities (Nikkei 225 Index) rose as sentiment benefitted from strong foreign investor interest, and Bank of Japan (BoJ) Governor Kazuo Ueda reiterating there is no set time for achieving its 2.0% inflation target.

This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
 - Monday: Services PMI, Factory Orders, ISM;
 - Tuesday: Ivey PMI, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Trade Balance, Consumer Credit, U.S. Department of Energy (DOE) Crude Inventories;
 - Thursday: Weekly Jobless Claims, Energy Information Administration (EIA) Natural Gas Inventories;
 - Friday: Limited economic data.

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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Dividend Growing, No-Change-in-Dividend, and Dividend Cutting: Each dividend-paying stock is further classified into one of the three categories based on changes to their dividend policy over the previous 12 months. Dividend Growers and Initiators include stocks that increased their dividend anytime in the last 12 months. Once an increase occurs, it remains classified as a grower for 12 months or until another change in dividend policy. No-Change stocks are those that maintained their existing indicated annual dividend for the last 12 months (i.e., companies that have a static, non-zero dividend). Dividend Cutters and Eliminators are companies that have lowered or eliminated their dividend anytime in the last 12 months. Once a decrease occurs, it remains classified as a cutter for 12 months or until another change in dividend policy. (Source: Ned Davis Research).

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: **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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