

WeeklyMarket Update



General Market News

- The future path of interest rates is uncertain for 2023, but according to Bloomberg's economic forecast, the average Bloomberg surveyed economist expects to see another half percent of increases in the first quarter of the year before levels remain stable through the second and third quarters. The Federal Reserve (Fed) is scheduled to announce its next rate decision this week, on Wednesday, February 1. Consensus expectations are pointing to a 25 basis point (bp) increase. Some analysts, however, aren't ruling out a more hawkish 50 bps hike as recent indicators have shown easing financial conditions and softening inflation. Fed Chair Powell's post-meeting press conference will be closely monitored for forward guidance to get a better sense of how high rates are expected to go and for how long. Since markets have been pricing in 2023 rate cuts despite Fed officials' rebukes of such expectations, Powell will likely tread carefully and avoid giving any signals that the Federal Open Market Committee's (FOMC) foot may come off the inflation-fighting pedal anytime soon. U.S. Treasury yields were up modestly last week. The 2-year, 5-year, 10-year, and 30-year gained 6 bps (to 4.21 percent), 11 bps (to 3.64 percent), 7 bps (to 3.55 percent), and 2 bps (to 3.68 percent), respectively.
- The Nasdaq Composite Index led the way last week as global equities rallied. Earnings from Microsoft and Tesla helped support the moves up in technology and auto stocks. Additionally, American Express and Capital One Financial were both up more than 10 percent on the back of better-than-expected results. That said, last week was not all good news; 3M, Dow Chemical, and Newell Brands all announced workforce reductions. Additionally, Intel shares fell by more than 6 percent on Friday after the company reported a larger-than-expected revenue decline and a net loss of \$644 million for the quarter. The company was hit by softening demand for its chips as well as higher expenses at its factories, which weighed on overall margins. This week will be another big week of earnings with Exxon, Pfizer, McDonalds, UPS, Caterpillar, Meta Platforms, Apple, Alphabet, and Amazon as just some of the names slated to report.
- Last week's data focused on overall economic growth as well as personal spending and income. Thursday saw the release of the **advanced estimate of fourth-quarter GDP**. The fourth-quarter GDP report showed that the economy grew more than expected. Personal consumption slowed during the quarter, although the 2.1 percent annualized increase in consumption to end the year was still solid on an historical basis. Also released on Thursday was **durable goods orders** data. Headline and core durable goods orders both came in above expectations to end the year. The surge in headline orders was largely due to a spike in volatile transportation orders.
- The week wrapped on Friday with the **personal income and spending reports** for December. While personal income continued to grow, spending fell for the second consecutive month.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.48	6.11	6.11	-6.63
Nasdaq Composite	4.32	11.07	11.07	-14.89
DJIA	1.81	2.6	2.6	-0.08
MSCI EAFE	1.4	8.55	8.55	-1.5
MSCI Emerging Markets	1.44	9.95	9.95	-9.16
Russell 2000	2.37	8.58	8.58	-1.5

Source: Bloomberg, as of January 27, 2023

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	2.99	2.99	-8.46
U.S. Treasury	2.33	2.33	-8.76
U.S. Mortgages	3.45	3.45	-7.35
Municipal Bond	2.83	2.83	-3.32

Source: Bloomberg, as of January 27, 2023



What to Look Forward To

This week will be a busy one in terms of economic policy and releases, starting with the release of the **Conference Board Consumer Confidence Index** data for January on Tuesday. Economists expect to see slightly better consumer confidence in January.

Wednesday will see the **FOMC's** federal funds rate decision. The Fed is expected to hike the federal

funds rate by 25 bps at its February meeting, as the central bank aims to slow the pace of rate hikes in 2023. Also out on the same day will be the **ISM Manufacturing index** report for January. Manufacturer confidence is expected to decline modestly and remain in contractionary territory to start the year.

What to Look Forward To (continued)

Friday will see the release of the **employment report and ISM Services index** data for January. The pace of hiring is set to slow again; however, even with the anticipated slowdown, hiring is expected to remain healthy on an historical basis.

Service sector confidence is expected to partially rebound in January after suffering from a much larger-than-expected decline in December. If estimates prove to be accurate, the index would start the year in expansionary territory.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. Rev. 01/23.

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