



WEEK OF APRIL 24, 2023

Market Update

Quick Hits

1. **Report releases:** Existing home sales fell more than expected
2. **Financial market data:** Stocks were slightly down ahead of a big week of earnings
3. **Looking ahead:** We'll see an estimate of first-quarter U.S. economic growth

Report Releases: April 17–21, 2023

National Association of Home Builders Housing Market Index April (Monday)

Home builder sentiment increased modestly in April, marking four consecutive months with rising home builder confidence. Despite the improvement, the index still ended the month in contractionary territory, signaling continued stress for builders.

- Expected/prior month sentiment: 45/44
- Actual sentiment: 45



Housing Starts and Building Permits March (Tuesday)

Housing starts and building permits both fell in March after surging in February. The pace of new home construction remains well below the level we saw in late 2021 and early 2022.

- Expected/prior month housing starts monthly change: -3.5%/+7.3%
- Actual housing starts monthly change: -0.8%
- Expected/prior month building permits monthly change: -6.5%/+15.8%
- Actual building permits monthly change: -8.8%



Existing Home Sales March (Thursday)

The pace of existing home sales slowed more than expected in March. The annualized rate of sales ended the month at 4.44 million, well below pre-pandemic levels.

- Expected/prior month existing home sales monthly change: -1.8%/+13.8%
- Actual existing home sales monthly change: -2.4%



S&P Global U.S. Composite PMI April Preliminary (Friday)

The S&P Global U.S. Composite, which is a survey of business confidence, rose from 52.3 to 53.5. Manufacturing rose from 49.2 to 50.2 while services rose to 53.7 ahead of expectations for 51.5.



>> The Takeaway

- Falling home prices, which have been a major source of inflation, bear watching
- Better-than-expected PMI data was a welcome sign of rising business optimism

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.09%	0.67%	8.21%	-4.28%
Nasdaq Composite	-0.42%	-1.20%	15.64%	-7.53%
DJIA	-0.19%	1.70%	2.65%	-0.70%
MSCI EAFE	0.05%	2.72%	11.41%	3.71%
MSCI Emerging Markets	-1.95%	-0.86%	3.06%	-7.15%
Russell 2000	0.59%	-0.56%	2.16%	-8.66%

Source: Bloomberg, as of April 21, 2023

Stocks were slightly down last week with earnings coming in mixed. Bank of America (BAC) rounded up major bank earnings as higher net interest margin and deposits fueled earnings growth. Tesla (TSLA) profitability dropped in the first quarter as margins faced pressure amid dropping vehicle prices and the cost to shift to new battery cells. The buildup in electric vehicle inventory bears watching. Both ASML and Taiwan Semiconductor (TSM) beat earnings expectations in signs of better-than-feared results. Lastly, Procter & Gamble (PG) beat earnings on raised prices. The week ahead will be major for tech earnings.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.22%	2.73%	-1.45%
U.S. Treasury	-0.34%	2.66%	-1.89%
U.S. Mortgages	-0.21%	2.31%	-1.37%
Municipal Bond	-0.34%	2.43%	2.37%

Source: Bloomberg, as of April 21, 2023

The front end of the curve lifted for the week of April 24 as earnings have come in better than expected thus far. Additionally, we are seeing a divergence in one-month and three-month yields as lower-than-expected tax receipts lead to concerns that the debt ceiling may be faced sooner than initially expected. The 2-year, 5-year, 10-year, and 30-year rose 9 basis points (bps) (to 4.19 percent), 5 bps (to 3.66 percent), 5 bps to 3.57 percent), and 4 bps (to 3.77 percent), respectively.

>> The Takeaway

- Value stocks outperformed as major bank earnings came in strong
- Three-month U.S. Treasury yields have risen as investors prefer shorter-term Treasuries

Looking Ahead

The first estimate of U.S. economic growth for the first quarter is due out on Thursday.

- The week will kick off on Tuesday with the **Conference Board Consumer Confidence** for April. Economist forecasts call for slightly lower consumer confidence in April, with the index set to fall from 104.2 in March to 104.1 in April.
- Wednesday will see the release of **durable goods orders** for March. Headline durable goods orders are set to rise in March; however, core orders are expected to fall, which would signal slowing business investment.
- The **gross domestic product (GDP) growth** for the first quarter of 2023 will be released on Thursday. The first look at GDP growth in the first quarter is set to show a solid 2 percent annualized growth rate to start the year. Annualized personal consumption growth is expected to increase from 1 percent at the end of last year to 4 percent to start 2023.
- Finally, Friday will see the release of **personal income and personal spending**. The March personal income and spending reports are set to show mixed results as income is set to increase while spending is expected to decline modestly.





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.

Authored by the Investment Research team at Commonwealth Financial Network®

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