



WEEK OF MAY 1, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Gross domestic product (GDP) growth slowed in the first quarter of 2023
2. **Financial market data:** Stocks rallied with better-than-expected earnings
3. **Looking ahead:** On Wednesday, the Federal Reserve will give its latest update on monetary policy

## Report Releases: April 24–28, 2023

### Conference Board Consumer Confidence April April (Tuesday)

Consumer confidence fell more than expected in April, driven by souring consumer expectations for future economic conditions.

- Expected/prior consumer confidence index: 104.0/104.0
- Actual consumer confidence index: 101.3



### Durable Goods Orders April Preliminary (March)

Headline and core durable goods orders both increased more than expected in March, indicating that business investment picked up. Headline sales were boosted by a surge of volatile nondefense aircraft orders in March, but the growth in both headline and core orders was encouraging.

- Expected/prior durable goods orders monthly change: +0.7%/–1.2%
- Actual durable goods orders change: +3.2%
- Expected/prior core durable goods orders monthly change: –0.2%/–0.3%
- Actual core durable goods orders change: +0.3%



### Advance Estimate First-Quarter GDP 2023 (Thursday)

A look at first-quarter GDP growth showed slowing growth to start the year, with the 1.1 percent annualized growth rate for the quarter coming in below expectations. Personal consumption growth also came in below estimates; however, the 3.7 percent annualized increase in the first quarter was a step up from the 1 percent growth rate at the end of 2022.



### Personal Spending and Personal Income March (Friday)

Personal income increased slightly more than expected in March while spending was flat. These results were both modestly better than economist expectations, which called for slower income growth and a drop in spending.

- Expected/prior personal income monthly change: +0.2%/+0.3%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: –0.1%/+0.1%
- Actual personal spending change: +0.0%



## >> The Takeaway

- March spending data was flat as more recent April data showed lower consumer confidence
- The economy grew at just an annual rate of 1.1 percent in the first quarter of 2023

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.89%	1.56%	9.17%	-1.05%
Nasdaq Composite	1.28%	0.07%	17.12%	-4.15%
DJIA	0.86%	2.57%	3.53%	2.72%
MSCI EAFE	0.10%	2.82%	11.53%	9.58%
MSCI Emerging Markets	-0.27%	-1.13%	2.78%	-4.52%
Russell 2000	-1.24%	-1.80%	0.89%	-6.35%

Source: Bloomberg, as of April 28, 2023

Stocks were up last week with the tech-oriented Nasdaq Composite Index leading the way. Microsoft (MSFT), Alphabet (GOOGL), Meta Platforms (META), Amazon (AMZN), Exxon Mobil, and Chevron (CVX) all beat earnings expectations. Health care and banks were among the underperformers. Covid-19 treatment demand has waned with lower hospitalizations. Banks fell when First Republic Bank became the latest bank to potentially be seized by the government. The news comes shortly after it announced that its deposits fell 41 percent in first-quarter earnings.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.61%	3.59%	-0.93%
U.S. Treasury	0.54%	3.56%	-1.38%
U.S. Mortgages	0.52%	3.06%	-1.36%
Municipal Bond	-0.23%	2.54%	2.77%

Source: Bloomberg, as of April 28, 2023

The front end of the curve continued its recent lift ahead of the May Federal Open Market Committee (FOMC) meeting. The shortest end of the curve rose dramatically with earnings coming in better than expected. The 1-month yield rose 76 basis points (bps) to 4.32 percent, and the 3-month yield rose 5 bps to 5.11 percent. We saw yields continue to fall as the longer-term growth and inflation picture remains more muted. The 2-year and 10-year yields both fell 8 bps, to 4.06 percent and 3.43 percent, respectively. The 30-year yield declined 5 bps, to end the week at 3.68 percent.

## >> The Takeaway

- Earnings have come in better than expected, driven by consumer discretionary and technology
- Investors have moved away from short-dated Treasuries amid lower inflation data

## Looking Ahead

All eyes will be on the FOMC this week as it announces its monetary policy decision on Wednesday.

- The week will kick off on Monday with the **ISM Manufacturing report** for April. Manufacturer confidence is expected to increase modestly in April, which would leave the index in contractionary territory for the month.
- Wednesday will see the release of both the **ISM Services report** for April and the **FOMC rate decision**. Service sector confidence is also expected to improve in April and the index is set to remain in expansionary territory. The Fed is set to announce its monetary policy decision following the conclusion of its May meeting on Wednesday. Investors and economists largely expect to see a 25 bps interest rate hike at this meeting.
- Finally, Friday will see the release of the **employment report** for April. The April job report is expected to show slowing—but still healthy levels—of job growth, with 170,000 jobs forecasted following the 236,000 that were added in March. The unemployment rate is set to increase modestly, but the labor market is expected to remain solid overall.





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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.

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