



WEEK OF MAY 30, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Personal income came in stronger than expected in April
2. **Financial market data:** Nvidia's forecast sent ripples through the markets
3. **Looking ahead:** Consumer confidence and employment will be the focus

## Report Releases: May 22–26, 2023

### S&P Global U.S. Manufacturing PMI May (Tuesday)

The U.S. Manufacturing PMI Index slipped back into contractionary territory as it came in at 48.5 for May. A move down was expected, but this level was lower than the April figure of 50.2.



### S&P Global U.S. Services PMI May (Tuesday)

The U.S. Services PMI Index rose to 55.1, moving further into expansionary territory. The move higher came off a level of 53.6 in April. The Services PMI was expected to follow the likes of the Manufacturing PMI and to move lower with the average expectation for 52.7.



### Federal Open Market Committee (FOMC) Meeting Minutes May (Wednesday)

The minutes from the Federal Reserve (Fed)'s May meeting that were released on Wednesday indicated uncertainty was rising at the central bank. Some participants noted concerns about the impending debt ceiling standoff and tightening financial conditions due to banking sector concerns, both of which may support a pause in hikes at the next meeting in June.



### Durable Goods April (Friday)

Headline durable goods orders increased more than expected in April. Core orders, however, fell during the month. The drop in core goods orders signals slowing business investment and will be worth monitoring.

- Expected/prior durable goods orders monthly change:  $-1.0\%/+3.3\%$
- Actual durable goods orders change:  $+1.1\%$
- Expected/prior core durable goods orders monthly change:  $-0.1\%/+0.3\%$
- Actual core durable goods orders change:  $-0.2\%$



## >> The Takeaway

- Manufacturing and services PMIs indicated mixed confidence in May as services came in strong
- The Fed remained uncertain about policy amid both debt ceiling negotiations and stronger-than-expected spending

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.35%	1.02%	10.29%	2.88%
Nasdaq Composite	2.52%	6.24%	24.43%	7.92%
DJIA	-0.97%	-2.73%	0.70%	1.78%
MSCI EAFE	-2.29%	-2.45%	8.80%	5.37%
MSCI Emerging Markets	-0.42%	-0.25%	2.52%	-4.15%
Russell 2000	-0.02%	0.36%	1.26%	-4.64%

Source: Bloomberg, as of May 26, 2023

The story in equities last week was the earnings from chip manufacturer Nvidia (NVDA). The company known for creating graphics processing units (GPUs) for artificial intelligence (AI), gaming, and automotive beat earnings by 18.5 percent. Even more impressive was that it forecasted sales more than 50 percent higher than estimates at \$11 billion for the current quarter. The forecast sent AI, semiconductor, and automotive component stocks higher. The impact of AI on the economy will be a trend to watch in the years to come.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-2.31%	1.20%	-3.82%
U.S. Treasury	-2.23%	1.25%	-3.86%
U.S. Mortgages	-2.36%	0.63%	-4.75%
Municipal Bond	-1.38%	1.13%	0.10%

Source: Bloomberg, as of May 26, 2023

The 1-month Treasury yield hit an intraweek high of 6.09 percent on Thursday amid uncertainty around debt ceiling negotiations and economic data indicating stronger-than-expected demand. The 1-month Treasury yield closed the week at 5.60 percent. The front end of the yield curve continued to lift and further invert as the 2-year yield rose by 29 basis points (bps) (to 4.57 percent). This is 76 bps above the 10-year, which closed the week at 3.81 percent. The 30-year yield briefly eclipsed 4 percent on Thursday before closing the week at 3.97 percent.

### >> The Takeaway

- AI stocks' recent rally was further supported by Nvidia's forecast
- The yield curve continues to invert as inflation via demand remains persistent

## Looking Ahead

Both consumer confidence and the employment report for May are due out this week. A strong labor market has led to a confident consumer and sticky inflation as the Fed tries to shake demand.

- The week will kick off on Tuesday with the release of the **Conference Board's Consumer Confidence Index** for May. The release of the May consumer confidence report will be an interesting chance to see how consumer sentiment reacted to rising debt ceiling uncertainty.
- This will be followed by the **ISM Manufacturing index** for May on Wednesday. Manufacturer confidence is expected to fall slightly, which would leave the index in contractionary territory.
- Thursday will see the release of Wards total vehicle sales for May. Used vehicles sales have slowed as of late as higher rates have curtailed demand.
- Finally, Friday will see the release of **employment reports** for May. The May job report is expected to show slowing but still healthy levels of job growth, with 180,000 jobs forecasted following the 253,000 that were added in April. The unemployment rate is set to increase modestly from 3.4 percent to 3.5 percent. On the whole, however, the labor market is expected to show signs of continued resilience.





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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<sup>®</sup> Index measures the performance of the 2,000 smallest companies in the Russell 3000<sup>®</sup> 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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