



WEEK OF JUNE 5, 2023

# Market Update

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## Quick Hits

1. **Report releases:** The May employment report surprised to the upside
2. **Financial market data:** The Nasdaq posted its sixth consecutive week of gains
3. **Looking ahead:** Will services follow the path of manufacturing or remain resilient?

## Report Releases: May 29–June 2, 2023

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### Conference Board Consumer Confidence May (Tuesday)

Consumer confidence fell less than expected in May as sentiment remained surprisingly resilient during the month despite negative headlines surrounding the debt ceiling standoff.

- Expected/prior consumer confidence index: 99.0/103.7
- Actual consumer confidence index: 102.3



### ISM Manufacturing May (Wednesday)

Manufacturer confidence fell in May due to declines in new orders, supplier deliveries, and inventories. This result left the index in contractionary territory for the seventh consecutive month.

- Expected/Prior ISM Manufacturing index: 47.0/47.1
- Actual ISM Manufacturing index: 46.9



### Ward's Total Vehicle Sales May (Thursday)

Total vehicle sales fell to 15.05 million in May. This figure is down from 15.91 million in April and below the mean estimate of 15.23 million.



### Employment Report May (Friday)

Hiring continued to accelerate in May, with 339,000 jobs added against calls for a more modest 195,000. The strong result may support further rate hikes from the Federal Reserve (Fed) as the central bank continues to combat inflation through tighter monetary policy.

- Expected/prior change in nonfarm payrolls: +195,000/+294,000
- Actual change in nonfarm payrolls: +339,000



## >> The Takeaway

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- Consumer confidence slowed but remained higher than expected as employment remains strong
- Manufacturing and the auto sector showed signs of softening due to inventory builds and higher levels of interest rates

## Financial Market Data

### Equity

| Index                 | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500               | 1.88%        | 2.48%         | 12.37%       | 4.32%    |
| Nasdaq Composite      | 2.07%        | 2.37%         | 27.01%       | 8.47%    |
| DJIA                  | 2.17%        | 2.63%         | 2.89%        | 3.80%    |
| MSCI EAFE             | 0.88%        | 2.76%         | 9.76%        | 6.16%    |
| MSCI Emerging Markets | 1.25%        | 2.72%         | 3.80%        | -4.60%   |
| Russell 2000          | 3.32%        | 4.66%         | 4.62%        | -2.02%   |

Source: Bloomberg, as of June 2, 2023

The S&P 500 posted its third straight weekly gain as the Nasdaq posted its sixth straight gain—marking a first since January of 2020. The market has continued its rally on better-than-expected earnings and consumer resilience. The move in equities was a tale of periods as value stocks rallied on Friday after a stronger-than-expected employment report gave the Fed more room for potential rate hikes.

### Fixed Income

| Index             | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | -0.28%        | 2.17%        | -2.04%   |
| U.S. Treasury     | -0.36%        | 1.99%        | -2.20%   |
| U.S. Mortgages    | -0.36%        | 1.93%        | -2.70%   |
| Municipal Bond    | 0.37%         | 2.03%        | 0.68%    |

Source: Bloomberg, as of June 2, 2023

The 1-month U.S. Treasury yield fell 36 basis points (bps) as government officials came to a proposed debt ceiling settlement. Treasury yields beyond the 5-year also fell, before ticking slightly higher following a strong employment report. The 10-year was down 12 bps and the 30-year fell 9 bps.

## >> The Takeaway

- Stocks continued their momentum on better-than-expected earnings and potentially getting closer to the end of rate hikes from the Fed
- The proposed debt ceiling settlement saw a regain in interest in ultra-short T-bills

## Looking Ahead

Mortgage applications, consumer credit, and jobless claims will all provide additional context for an overall economic picture. After last week's stronger-than-expected employment report, we'll look to see if this translates into home purchases or an expansion of consumer spending.

- ISM Services data for May will be released on Monday morning. Service sector confidence is expected to improve modestly in May, with the index set to remain in expansionary territory.
- Data on MBA Mortgage applications for the week of June 2, 2023, and consumer credit will be released on Wednesday. Mortgage applications have seen some softness amid higher rates. Consumer credit will be worth watching to see if trends change ahead of a potential shift in student loan forbearance.
- Wednesday will see the release of April's trade balance report. The April international trade report is set to show a widening trade deficit. The advance report on the trade of goods showed a 5.5 percent drop in goods exports while imports of goods rose 1.8 percent.





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The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. All indices are unmanaged and investors cannot invest directly in an index.

The MSCI EAFE (Europe, Australia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of 21 developed market country indices.

One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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