



WEEK OF JULY 3, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Falling inflation helped consumer confidence beat expectations in June
2. **Financial market data:** The S&P 500 gained more than 2 percent, closing the quarter up more than 8 percent
3. **Looking ahead:** June's FOMC minutes and the employment report will be in focus

Keep reading for an in-depth look

## Report Releases: June 26–30, 2023

### Durable Goods Orders May (Tuesday)

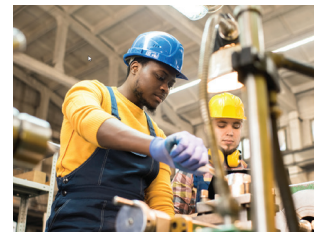
Headline and core durable goods orders increased more than expected during the month, signaling solid business spending in May.

- Expected/prior durable goods orders monthly change:  $-0.9\%/+1.2\%$
- Actual durable goods orders change:  $+1.7\%$
- Expected/prior core durable goods orders monthly change:  $0.0\%/-0.6\%$
- Actual core durable goods orders change:  $+0.6\%$



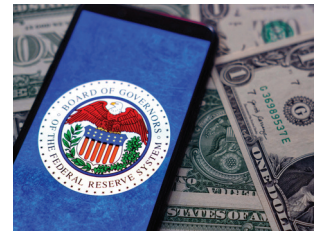
### Conference Board's Consumer Confidence Index June (Tuesday)

Consumer confidence improved more than expected in June, bringing the index to its highest level since early 2022. The better-than-anticipated result was supported in part by falling consumer inflation expectations. The figure of 109.7 beat average expectations of 104, an increase of 7.6 points from May.



### Retail Inventories May (Wednesday)

Retail Inventories increased 0.8 percent in May versus an expectation of a 0.3 percent rise. This is a notable elevation from the 0.2 percent increase in April.



### Personal Income and Spending Report May (Friday)

Personal spending increased less than expected in May, but income growth came in above expectations. This marks two consecutive months with increased spending, highlighting the continued resilience of consumers.

- Expected/prior personal income monthly change:  $+0.3\%/+0.4\%$
- Actual personal income change:  $+0.4\%$
- Expected/prior personal spending monthly change:  $+0.2\%/+0.6\%$
- Actual personal spending change:  $+0.1\%$



## >> The Takeaway

- Durable goods orders and consumer confidence reports bode well for business and retail sentiment.
- Despite improving confidence, the increase in retail inventories and personal spending indicate we have yet to see it translate into a pickup in spending.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	2.36%	6.61%	16.89%	19.59%
Nasdaq Composite	2.20%	6.65%	32.32%	26.14%
DJIA	2.02%	4.68%	4.94%	14.23%
MSCI EAFE	1.66%	4.55%	11.67%	18.77%
MSCI Emerging Markets	-0.04%	3.80%	4.89%	1.75%
Russell 2000	3.75%	8.13%	8.09%	12.31%

Source: Bloomberg, as of June 30, 2023

The S&P 500 led the three major domestic indices. The Nasdaq Composite has been the top performing index year-to-date, and that was also the case in the second quarter. The index is now up more than 30 percent in 2023, with mega-cap names such as Nvidia, Meta Platforms, Tesla, Amazon, Microsoft, Apple, and Alphabet up more than 15 percent this year. The worst performing sectors over the quarter were utilities, energy, consumer staples, and REITs as investors took on more risk and West Texas Intermediate crude oil fell more than 6 percent.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.36%	2.09%	-1.53%
U.S. Treasury	-0.75%	1.59%	-2.65%
U.S. Mortgages	-0.43%	1.87%	-2.28%
Municipal Bond	1.00%	2.67%	2.82%

Source: Bloomberg, as of June 30, 2023

Short-to-intermediate rates continued their rise this week, with 3- and 5-year Treasuries the most notable movers. The 3-year rose 17.5 bps and the 5-year increased 13.8 bps. The back end of the curve bucked last week's move. The 30-year rose 4 bps after losing 1 bp the prior week. Intermediate-term Treasuries sell off as investors try to barbell between higher short-term rates and an equity market-riding momentum.

## >> The Takeaway

- Stocks rose to cap a strong quarter. We will see whether the Nasdaq continues its leadership through earnings season in a few weeks.
- The short-to-intermediate curve has seen steepening as improving economic data and a strong equity market have improved sentiment.

## Looking Ahead

Despite the holiday on Tuesday, there will be no shortage of economic data and events.

- The week kicks off Monday with the release of ISM Manufacturing index for June. Manufacturer confidence is expected to improve slightly, but the index is set to remain in contractionary territory. The ISM Services index will be released on Thursday.
- On Wednesday, the FOMC will release its meeting minutes from June. Economists will closely read these minutes for hints about the path of monetary policy after the Fed decided to keep rates unchanged at the meeting.
- Finally, on Friday, the June employment report will be released. Economists expect to see continued strong hiring, with forecasts calling for a strong 200,000 additional jobs in June.





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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