



WEEK OF AUGUST 7, 2023

Market Update

Quick Hits

1. **Report releases:** Slightly slower-than-expected job growth was partially offset by wage growth.
2. **Financial market data:** Slowing iPhone sales weighed on Apple post earnings.
3. **Looking ahead:** There are numerous inflation reports due out.

Report Releases: July 31–August 4, 2023

ISM Manufacturing July (Tuesday)

Manufacturer confidence improved less than expected in July, leaving the index in contractionary territory for the ninth consecutive month.

- Expected/prior ISM Manufacturing index: 46.9/46.0
- Actual ISM Manufacturing index: 46.4



Job Opening and Labor Turnover Survey (JOLTS) June (Tuesday)

The JOLTS report for June showed 9.582 million openings versus a mean expectation of 9.597 million openings. As expected, this figure set a new low for job openings after peaking at 12.027 million in March of 2022. Job openings fell just 34,000 month-over-month, and the pace is worth watching.



ISM Services July (Thursday)

Service sector confidence fell more than expected in July, in part due to a slowdown in service sector hiring.

- Expected/Prior ISM Services index: 53.1/53.9
- Actual ISM Services index: 52.7



Employment Report July (Friday)

The July job report showed continued hiring growth, with 187,000 jobs added. This was up slightly from the 185,000 jobs were added in June and helped bring the unemployment rate down to 3.5 percent.

- Expected/prior change in nonfarm payrolls: +200,000/+185,000
- Actual change in nonfarm payrolls: +187,000



>> The Takeaway

- The difference in strength between the manufacturing and service sector remains in place.
- Despite lower-than-expected July job growth, both openings and wages remained strong.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.26%	-2.40%	17.75%	9.88%
Nasdaq Composite	-2.84%	-3.04%	33.53%	10.85%
DJIA	-1.11%	-1.39%	7.04%	9.21%
MSCI EAFE	-2.38%	-2.51%	12.38%	14.60%
MSCI Emerging Markets	-2.37%	-2.72%	8.39%	4.40%
Russell 2000	-1.19%	-2.26%	12.10%	3.44%

Source: Bloomberg, as of August 4, 2023

The S&P 500 broke its consecutive weekly gain streak at three. Major earnings reports were mixed last week, with Amazon beating both sales and earnings expectations, driven by 12 percent sales growth at the company's cloud platform (AWS). Apple beat on both metrics, primarily driven by its services segment as iPhone revenue came in below both expectations and 2022 levels. Technology and emerging markets both pulled back modestly following their recent rally. The top-performing sectors last week were energy, consumer discretionary, and financials.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.72%	1.29%	-3.05%
U.S. Treasury	-0.52%	0.70%	-3.64%
U.S. Mortgages	-0.86%	0.92%	-4.12%
Municipal Bond	-1.25%	1.79%	-0.22%

Source: Bloomberg, as of August 4, 2023

The 10-year U.S. Treasury yield rose 5 basis points (bps) last week. The big news was the Fitch downgrading of U.S. long-term credit to AA+ from AAA, citing the rising debt to GDP as the trajectory was a major concern.

>> The Takeaway

- Equity investors took a breather from the recent risk-on rally.
- Fitch downgraded the country's long-term U.S. credit rating on rising debt levels.

Looking Ahead

This week's reports will primarily focus on inflation.

- The week will kick off on Monday with the release of the **consumer credit report** for June. Expectations are for \$14 billion in consumer credit for June, despite a significantly lower-than-expected value in May at just \$7.24 billion (versus expectations of \$20 billion).
- Thursday will see the release of **Consumer Price Index** data for July. Consumer inflation is set to rise 0.2 percent during the month, with year-over-year price growth expected to rise modestly from 3 percent in June to 3.3 percent in July.
- Finally, Friday will wrap with both **Producer Price Index** data for July and the **preliminary University of Michigan consumer sentiment survey** for August. Producer inflation is expected to increase 0.2 percent during the month, with year-over-year producer prices expected to increase 0.7 percent in July. The first estimate for consumer sentiment in August is expected to show a modest decline for the index. This follows a larger-than-expected increase in July that brought the index to a nearly two-year high.





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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.

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