



WEEK OF SEPTEMBER 18, 2023

Market Update

Quick Hits

1. **Report releases:** Inflation, excluding food and energy, surprised slightly to the upside.
2. **Financial market data:** Investors take caution after a recent rise in energy prices.
3. **Looking ahead:** The Fed is widely expected to pause rate hikes again on Wednesday.

Report Releases: September 11–15, 2023

Consumer Price Index (CPI) August (Wednesday)

Headline consumer inflation increased 0.6 percent during the month and 3.7 percent year-over-year in August. Core consumer inflation, which strips out the impact of volatile food and energy prices, continued to moderate on a year-over-year basis.

- Prior monthly CPI/core CPI growth: +0.2%/+0.2%
- Expected monthly CPI/core CPI growth: +0.6%/+0.2%
- Actual monthly CPI/core CPI growth: +0.6%/+0.3%
- Prior year-over-year CPI/core CPI growth: +3.2%/+4.7%
- Expected year-over-year CPI/core CPI growth: +3.6%/+4.3%
- Actual year-over-year CPI/core CPI growth: +3.7%/+4.3%



Retail Sales August (Thursday)

Retail sales increased more than expected in August, marking five consecutive months with sales growth.

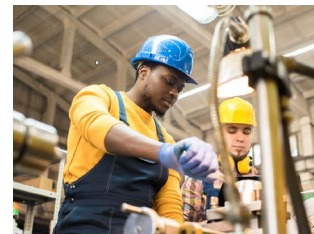
- Expected/prior month retail sales monthly change: +0.1%/+0.5%
- Actual retail sales monthly change: +0.6%



Producer Price Index (PPI): August (Thursday)

Headline producer inflation increased more than expected in August; however, core producer price growth continued to moderate on a year-over-year basis.

- Prior monthly PPI/core PPI growth: +0.4%/+0.4%
- Expected monthly PPI/core PPI growth: +0.4%/+0.2%
- Actual monthly PPI/core PPI growth: +0.7%/+0.2%
- Prior year-over-year PPI/core PPI growth: +0.8%/+2.4%
- Expected year-over-year PPI/core PPI growth: +1.3%/+2.2%
- Actual year-over-year PPI/core PPI growth: +1.6%/+2.2%



Preliminary University of Michigan Consumer Sentiment Survey September (Friday)

Consumer sentiment fell modestly due to souring consumer sentiment regarding current economic conditions. Consumers' short- and long-term inflation expectations also fell during the month.



>> The Takeaway

- Stronger-than-expected retail sales led to stabilization in used vehicle prices and increases in apparel.
- Despite the retail sales beat, consumer sentiment waned in the latest report.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.12%	0.35%	17.30%	16.85%
Nasdaq Composite	-0.37%	-0.41%	31.78%	20.81%
DJIA	0.14%	1.15%	6.14%	14.75%
MSCI EAFE	1.67%	-0.69%	10.90%	21.18%
MSCI Emerging Markets	1.24%	0.29%	5.19%	7.14%
Russell 2000	-0.20%	-1.92%	6.01%	4.34%

Source: Bloomberg, as of September 15, 2023

Domestic equities posted benign moves last week as we approach the end of the quarter and a likely rate hike pause by the Federal Reserve (Fed). Core CPI surprised to the upside after retail sales came in slightly better than expected and apparel and auto insurance posted higher prices. Used autos also stabilized after showing weakness in July. Despite the retail sales figures, consumer confidence weakened. Fuel costs have begun to rise due to limited refining capacity. The UAW strike hasn't acted as much of a headwind for Detroit auto stocks. Tesla was up more than 10 percent.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.09%	0.26%	-0.46%
U.S. Treasury	-1.09%	-0.39%	-1.55%
U.S. Mortgages	-1.10%	-0.15%	-0.97%
Municipal Bond	-0.36%	1.23%	2.97%

Source: Bloomberg, as of September 15, 2023

Treasury yields were relatively unchanged, with the belly of the curve (2-year through 10-year maturities) continuing its modest pickup in rates. The 2-year Treasury cleared 5 percent again as core CPI and headline PPI both came in higher than expected. The 10-year closed the week at 4.32 percent, with 4.34 percent acting as the bar of resistance from August 21.

>> The Takeaway

- Consumers and investors appear to be getting more cautious; energy prices may provide another short-term inflation lift.
- Fixed income investors are focused on the Fed because several maturities have rates at levels not seen in a long time.

Looking Ahead

The focus will be on this week's Federal Open Market Committee (FOMC) meeting. A slew of housing data is also slated for release.

- The data releases will begin on Monday with the release of the **National Association of Home Builders Housing Market Index** for September. Home builder confidence is expected to remain unchanged after falling more than anticipated in August. Home builder sentiment has improved notably throughout the year.
- Tuesday will see the release of **building permits and housing starts** for August. These two measures of new home construction are set to come in mixed, with housing starts expected to fall and permits set to rise modestly.
- Wednesday will see the release of the **FOMC's decision** on the federal funds rate. Economists and investors don't anticipate rate hikes at this meeting.
- Finally, Thursday will wrap with **existing home sales** for August. Sales of existing homes are set to rise modestly, which would break a two-month streak of declining sales.





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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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