



Weekly Recap

Domestic equities continued their strong start to the year with a second consecutive weekly gain, and stocks finished the week near their highest levels since mid-December. It was mostly a waiting game for the Consumer Price Index (CPI) report on Thursday and the kickoff to fourth-quarter earnings season on Friday. Prior to that, markets were fairly quiet from a headline perspective. There was some noteworthy commentary on Monday – San Francisco Fed President Daly said a case can still be made for either a 50-basis-point (bp) or 25-basis-point hike in February, and a peak fed funds rate above 5% is likely. This contrasts with what markets are currently pricing in, which is for the Fed to hike rates by 25 bps two more times before pausing at a target rate of 475 – 500 bps. Even with the hawkish-leaning comments, the S&P 500 rallied nearly 2% over the first three days of the trading week. On Thursday, the CPI report showed that consumer prices declined 0.1% in December but advanced 6.5% year-over-year (YoY), both matching consensus expectations. This was the first monthly decline in headline CPI in two and a half years. The “core” CPI, which excludes food and energy, rose 0.3% in December and 5.7% YoY, both also matching expectations. Finally, on Friday, several US banks (JPMorgan, Bank of America, Citigroup, and Wells Fargo) reported their Q4 2022 earnings results. The results were not overly positive or negative, but a key theme is they all set aside funds in anticipation of an increase in defaults. With that said, all four banks traded higher and gained over 1.5% on the day.

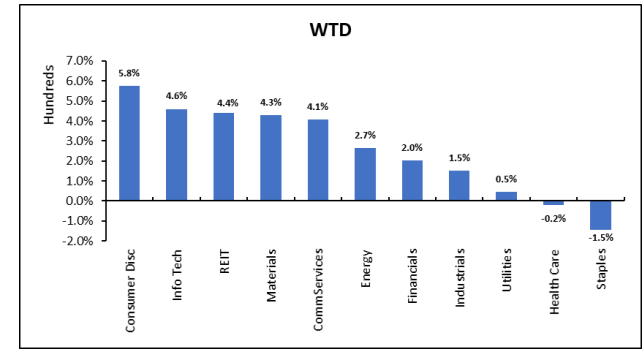
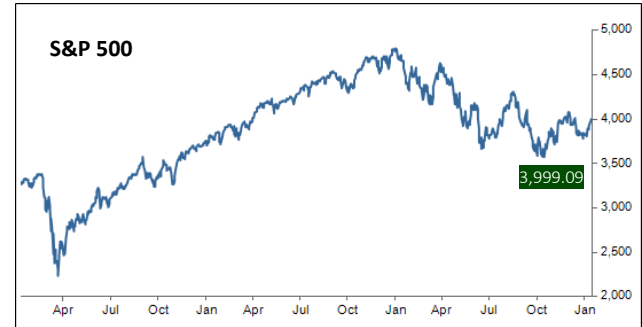
Key Thought for The Week

Multiple forces are at play when stocks are valued, but two of the biggest influences in the long term are interest rates and corporate earnings. Continued fears of recession and rising interest rates have led analysts to lower their earnings estimates for Q4 2022 by -6.5%, which is a larger decline than averages over the past 20 years which fall between 0.2% and -2.2%. On top of this, the Federal Reserve’s persistent tightening of monetary policy has led analysts to decrease their EPS estimates for Q4 and all of 2023. Deteriorating financial conditions may lead to a meaningful cut in discretionary spending and capital investments in the first half of 2023 for consumers and corporations, respectively. However, there are tentative signs of hope in the coming quarters. If the Federal Reserve concludes raising interest rates, corporate earnings could rebound in late 2023 or early 2024. Given the expectation that corporate input costs such as freight, energy and materials may decline as inflation moderates, earnings may be supported by a higher level of profitability. From a valuation perspective, the S&P 500 Index forward 12-month price-to-earnings ratio is 17.4x. This P/E ratio is below the 5-year average of 18.5x and in line with the 10-year average of 17.2x.

1/13/2023	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
STOCKS					
DJIA	34,302.61	672.00	2.00	2.01	3.49
S&P 500	3,999.09	104.01	2.67	1.69	4.16
NASDAQ	11,079.16	509.86	4.82	0.96	5.85
S&P MidCap 400	2,580.91	90.96	3.65	1.75	6.19
EAFE	2,062.07	66.29	3.32	3.28	6.08
Emerging Market	1,018.31	29.63	3.00	3.04	6.48
TREASURIES	Yield			Wk % Change	
2-Year	4.24				
5-Year	3.61				
10-Year	3.51				
30-Year	3.61				
Source: FactSet/Bloomberg					
FOREX	Price				
USD/EUR	1.08	1.75			
JPY/USD	127.87	3.29			
USD/GBP	1.22	1.11			
CAD/USD	1.34	0.36			

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	781.20	-11.54	(1.5%)	0.3%	0.3%	0.3%
Health Care	1,579.53	-2.98	(0.2%)	(0.4%)	(0.4%)	(0.4%)
CommServices	171.98	6.72	4.1%	7.9%	7.9%	7.9%
Eco Sensitive						
Consumer Disc	1,087.35	59.25	5.8%	8.1%	8.1%	8.1%
Energy	690.21	17.86	2.7%	2.7%	2.7%	2.7%
Industrials	867.03	13.03	1.5%	4.3%	4.3%	4.3%
Info Tech	2,276.98	100.12	4.6%	4.8%	4.8%	4.8%
Materials	528.16	21.71	4.3%	7.9%	7.9%	7.9%
Interest Rate Sensitive						
Financials	600.66	11.93	2.0%	5.4%	5.4%	5.4%
Utilities	362.63	1.63	0.5%	1.2%	1.2%	1.2%
REIT	248.60	10.46	4.4%	7.0%	7.0%	7.0%

COMING UP NEXT WEEK	Consensus	Prior
01/18 PPI ex-Food & Energy SA M/M	(Dec) 0.20%	0.40%
01/18 PPI SA M/M	(Dec) 0.0%	0.30%
01/18 PPI NSA Y/Y	(Dec) 6.8%	7.4%
01/18 Retail Sales ex-Auto SA M/M	(Dec) -0.55%	-0.20%
01/18 Retail Sales SA M/M	(Dec) -0.80%	-0.60%
01/18 Industrial Production SA M/M	(Dec) -0.10%	-0.20%
01/19 Housing Starts SAAR	(Dec) 1,360K	1,427K
01/20 Existing Home Sales SAAR	(Dec) 3,950K	4,090K



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	1.92%	2.93%	4.04%	4.48%	4.43%	4.37%	
Medium	2.92%	3.40%	4.30%	5.84%	5.65%	5.30%	
Small	4.52%	5.27%	6.01%	6.87%	7.17%	7.47%	

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