



Weekly Recap

Major U.S. indices this week were mostly flat to slightly down as investors continue to digest first quarter earnings reports. So far, 87 companies in the S&P 500 have reported earnings to date with 76.1% of reports topping analyst expectations, compared to the long-term average of 66%. Recent appetite for risk assets highlights renewed bullish talk of a soft-landing backed by the recent easing among the banking sector stresses and disinflation traction. However, the recent pickup in soft-landing narrative has supported a modest backup in Treasury rates. As of this morning, the 2-year yield sits at 4.18%, up 8 basis points (bps) from the prior week. The selloff in U.S. Treasury yields extended further out on the curve with the 10-year tenor up 5 bps on a weekly basis. Investment grade credit spreads remained stable this week at 134 bps, according to the Bloomberg U.S. Aggregate Corporate Index Average OAS. Resiliency among the financial sector and first quarter earnings increased the odds of a 25-bps rate hike in May to 90%. Fed officials emphasized the need for further tightening, but the divergence between how much represents an uncertainty with Fed Bullard insinuating 50-bps of additional tightening as necessary, while Fed Bostic believes 25-bps could be sufficient. On Friday, April's U.S. Flash Manufacturing & Services PMI exceeded estimates coming in at 50.4 and 53.7, respectively, providing additional support for a soft-landing narrative.

Key Thought for The Week

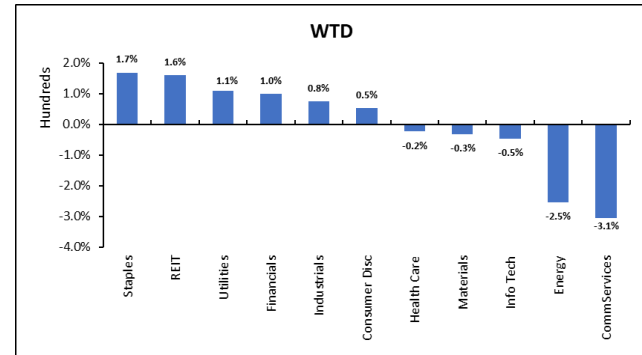
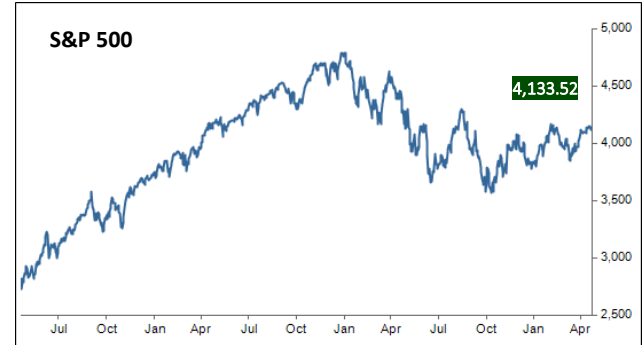
Cracks are beginning to emerge in the labor market. Although initial jobless claims are still at historically low levels, jobless claims have been slowly moving higher. It is doubtful that the current strong labor situation will change substantially in the near-term, but there have been many anecdotal stories of company layoffs. The Federal Reserve's forecast projects the unemployment rate to move from 3.5% to 4.6% by end of 2024, implying the loss of 1.6 million jobs. Deterioration of labor market conditions is required to weaken consumption demand sufficiently to bring inflation under control and achieve the Fed's inflation objective. The labor market has been remarkably resilient so far, and the primary reason many investors are hopeful for a soft landing. The equity market seems to be pricing in a gradual and elongated period of economic slowing consistent with a soft landing. However, the equity and Fed funds futures markets seem to be predicting different economic outcomes. Fed fund futures suggest the Fed will lower rates as soon as the end of the third quarter. We believe a hard landing would be necessary for the Fed to shift course so quickly. Financial conditions would need to become severely constricted, and the economy would need to dramatically downshift in the second and third quarters for the Fed to lower rates this year.

| 4/21/2023 | | Wk | Wk | YTD | 12 Mos |
|-------------------|-----------|--------|--------|---------|--------|
| | | Net | % | Div | % |
| | | Change | Change | Yield | Change |
| STOCKS | Close | | | | |
| DJIA | 33,808.96 | -77.51 | -0.23 | 2.07 | 2.00 |
| S&P 500 | 4,133.52 | -4.12 | -0.10 | 1.67 | 7.66 |
| NASDAQ | 12,072.46 | -51.01 | -0.42 | 0.89 | 15.34 |
| S&P MidCap 400 | 2,498.83 | 9.36 | 0.38 | 1.89 | 2.82 |
| EAFE | 2,147.83 | 2.10 | 0.10 | 3.22 | 10.49 |
| Emerging Market | 989.79 | -10.70 | -1.07 | 3.20 | 3.49 |
| | | | | Wk | % |
| TREASURIES | Yield | | | Price | Change |
| 1-Year | 4.76 | | | USD/EUR | 1.10 |
| 2-Year | 4.18 | | | JPY/USD | 134.16 |
| 5-Year | 3.66 | | | USD/GBP | 1.24 |
| 10-Year | 3.57 | | | CAD/USD | 1.35 |
| 30-Year | 3.78 | | | | |

Source: FactSet/Bloomberg

| Sector - Large Cap | | Wk | | | | |
|--------------------------------|----------|--------|------|--------|--------|--------|
| | | Net | WTD | MTD | QTD | YTD |
| | | Change | | | | |
| Defensive | | | | | | |
| Staples | 798.68 | 13.21 | 1.7 | 2.3% | 2.3% | 2.5% |
| Health Care | 1,564.68 | -3.70 | -0.2 | 3.6% | 3.6% | (1.3%) |
| CommServices | 191.16 | -6.02 | -3.1 | (0.2%) | (0.2%) | 19.9% |
| Eco Sensitive | | | | | | |
| Consumer Disc | 1,150.47 | 6.07 | 0.5 | (1.2%) | (1.2%) | 14.4% |
| Energy | 653.30 | -17.02 | -2.5 | 2.9% | 2.9% | (2.8%) |
| Industrials | 851.44 | 6.37 | 0.8 | (0.6%) | (0.6%) | 2.4% |
| Info Tech | 2,587.05 | -12.07 | -0.5 | (2.0%) | (2.0%) | 19.1% |
| Materials | 508.05 | -1.60 | -0.3 | 0.0% | 0.0% | 3.8% |
| Interest Rate Sensitive | | | | | | |
| Financials | 552.37 | 5.36 | 1.0 | 3.2% | 3.2% | (3.0%) |
| Utilities | 353.78 | 3.81 | 1.1 | 2.8% | 2.8% | (1.3%) |
| REIT | 233.24 | 3.65 | 1.6 | (0.7%) | (0.7%) | 0.4% |

| COMING UP NEXT WEEK | | Consensus | Prior |
|---------------------|--|-----------|--------|
| 04/25 | Consumer Confidence | (Apr) | 104.2 |
| 04/25 | New Home Sales SAAR | (Mar) | 632.0K |
| 04/26 | Durable Orders SA M/M (Preliminary) | (Mar) | 0.70% |
| 04/27 | GDP Chain Price SAAR Q/Q (First Preliminary) | (Q1) | 3.7% |
| 04/28 | Personal Income SA M/M | (Mar) | 0.20% |
| 04/28 | Chicago PMI SA | (Apr) | 43.5 |
| 04/28 | Michigan Sentiment NSA (Final) | (Apr) | 63.5 |



Russell Style Return

| WTD | Value | Blend | Growth |
|--------|---------|---------|---------|
| Large | (0.10%) | (0.08%) | (0.06%) |
| Medium | 0.36% | 0.25% | 0.07% |
| Small | 0.19% | 0.59% | 0.95% |

| YTD | Value | Blend | Growth |
|--------|---------|-------|--------|
| Large | 2.18% | 7.98% | 14.18% |
| Medium | 1.27% | 3.82% | 8.56% |
| Small | (2.18%) | 2.15% | 6.40% |

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