

# MARKET VIEW WEEKLY

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## ECONOMIC REVIEW<sup>1</sup>

- U.S. Retail Sales increased a moderate 0.2% in June, though less than the consensus forecast of 0.5%.
  - The mild gain was powered mainly by nonstore retailers (such as internet and mail order).
  - Setting aside the volatile categories, Core U.S. retail sales (ex-autos, gasoline, and building materials) increased by 0.6% in June, better than the forecasted 0.3%.
  - Gas stations were the biggest decliner, where, due to lower seasonal prices, sales are down 22.7% from a year ago.
  - Notably, the only service sector in the report, sales at bars and restaurants, rose 0.1% in June.
  - Upward revisions to the prior months' data pushed May up to 0.5% from the initial reading of 0.3%.
- U.S. housing starts fell 8% in June, representing the most significant decline in a year, slowing from May's 16% surge.
  - The drop in June was due to both single-family and multi-unit starts.<sup>2</sup>
  - The construction pace of single-family homes fell by 7% in June, and multi-units fell by 11.6%.
  - Housing starts fell to a 1.43 million annual pace last month from 1.56 million in May.
  - Building permits declined 3.7% in June, to a 1.44 million annual rate, below the consensus expected 1.50 million.
    - However, permits for single-family homes rose to a 12-month high as a severe shortage of previously owned houses for sale supports new construction.

### How does this consumer demand data impact you?

- The week's consumer demand data demonstrates that consumer spending looks a bit tepid, though it is still up 1.5% from a year ago.
  - Total spending, however, continues to outpace inflation, keeping the economy out of recession for now.
- Mortgage rates in the +7% range have kept existing homeowners with fixed sub-3% mortgage rates in place, boosting demand for developers and continuing to spur new construction activity.



## A LOOK FORWARD<sup>1</sup>

- This week, all eyes will be on the Federal Reserve (Fed) and the outcome of their 2-day July meeting.
  - Following a pause at the last meeting, the market is widely anticipating a Fed hike of 0.25% to a range of 5.25%–5.5%.<sup>3</sup>
  - Not to be overlooked, we will also get the Personal Consumption Expenditures Price Index, and Personal Income and Consumer Spending from the U.S. Bureau of Economic Analysis.

### How does Central Bank activity impact you?

- The Fed's decision influences where banks and other lenders set interest rates; further hikes will continue to increase the cost of borrowing, making credit and investment more expensive.



## MARKET UPDATE<sup>4</sup>

Market Index Returns as of 7/21/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.70%	2.00%	19.24%	16.48%	13.24%	12.05%
NASDAQ	-0.57%	1.79%	34.69%	19.64%	10.29%	13.41%
Dow Jones Industrial Average	2.13%	2.48%	7.54%	12.84%	11.51%	9.40%
Russell Mid-Cap	1.05%	3.29%	12.60%	12.75%	11.72%	8.60%
Russell 2000 (Small Cap)	1.52%	3.83%	12.23%	10.18%	10.98%	4.31%
MSCI EAFE (International)	-0.57%	2.14%	14.06%	18.00%	7.84%	4.55%
MSCI Emerging Markets	-1.31%	2.91%	7.94%	5.40%	0.45%	1.41%
Bloomberg US Agg Bond	0.01%	0.21%	2.30%	-2.48%	-4.27%	0.78%
Bloomberg High Yield Corp	0.10%	1.09%	6.53%	5.71%	2.29%	3.46%
Bloomberg Global Agg	-0.53%	1.06%	2.51%	-1.22%	-5.26%	-0.88%



## OBSERVATIONS

- With two weeks of earnings season under our belts, the major indexes, like earnings results,<sup>5</sup> were decidedly mixed.
  - Blue chips stocks, with the Dow Jones Industrial Average as a proxy, led the pack returning +2.13%, while the S&P 500, representing broad equity markets, was up a modest +0.70%.
    - Both indexes posted their second weekly gain in a row.
  - Conversely, the tech-heavy Nasdaq stumbled back, down -0.57%.
- International markets, both emerging and developed, underperformed domestic markets.
- Bonds had a relatively mild and mixed week, as investors waited for the outcome of central bank activity.



## BY THE NUMBERS

- **Singapore Passport Is World's Most Powerful, Replacing Japan.** Singapore has replaced Japan for having the world's most powerful passport, allowing visa-free entry to 192 global destinations, according to the latest Henley Passport Index. After five years at the top, Japan dropped to third place as the number of destinations its passport can access without a visa fell, according to the ranking published by London-based immigration consultancy Henley & Partners. The US, which once topped the ranking nearly a decade ago, slid two places to eighth place. The UK, after a Brexit-induced slump, jumped two places to fourth, a position it last held in 2017.<sup>6</sup>
- **Women's World Cup 2023: First USA match generates strong ratings for FOX.** The United States' 3-0 victory over Vietnam in the Women's World Cup drew 6.26 million viewers, making it the most-watched soccer telecast in the U.S. since last year's men's World Cup final. It is also the largest combined English- and Spanish-language audience for a U.S. women's group stage match. Saturday afternoon's match in Auckland, New Zealand — which kicked off at 9 p.m. EDT Friday night — averaged 5,261,000 viewers on FOX, making it the second-most watched group stage telecast since FOX started covering it in 2015. FOX and Nielsen said the audience peaked at 6.5 million for the final 15 minutes.<sup>7</sup>

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## *Economic Definitions*

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

**Building Permits:** This concept tracks the number of permits that have been issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households, including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

**Personal Spending:** Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation

## *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of

Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly into any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 7/21/2023.

<sup>2</sup> <https://www.census.gov/construction/nrc/pdf/newresconst.pdf>

<sup>3</sup> <https://www.cmegroup.com/markets/interest-rates/cme-fedwatch-tool.html?redirect=/trading/interest-rates/countdown-to-fomc.html>

<sup>4</sup> Data obtained from Morningstar as of 7/21/2023.

<sup>5</sup> [Microsoft Word - Earnings Insight\\_072123.docx \(factset.com\)](#)

<sup>6</sup> [Henley Passport Index 2023: Singapore Passport Ranked Most Powerful, Beats Japan - Bloomberg](#)

<sup>7</sup> <https://www.foxsports.com/stories/soccer/womens-world-cup-2023-first-usa-match-generates-strong-ratings-for-fox>