

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- Jobs were in focus again last week with the release of the June Employment Report (from the government) and ADP data (from the private sector). Despite some discrepancies among these reports, in general, hiring slowed in June.
- Nonfarm payrolls showed U.S. employers added 209,000 jobs last month, below the consensus expectation and the May reading.
 - Payroll gains for April and May were revised down by a total of 110,000, bringing the net gain, including revisions to 99,000 for the two months.²
 - In the first half of this year, payrolls grew by an average of 278,000 a month, down from nearly 400,000 last year.³
- The unemployment report ticked back down to 3.6% from 3.7%, which was in line with expectations.
 - The rate at which Americans quit their jobs voluntarily has declined materially this year, and that can be an indication of fewer opportunities elsewhere, meaning a tightening labor market.
- Payroll processing firm ADP estimated that private-sector employers added 497,000 jobs in June.
 - This report generally exhibits more volatility than nonfarm payrolls but surged to a level concerning enough for the major indices to pull back in anticipation of more rate hikes.
- Federal Reserve (Fed) minutes from the June meeting also released last week, providing further insight into what has proved to be a much more “hawkish pause” than originally anticipated.
 - The supposed “unanimous decision” not to hike last month was initially disputed by several committee members.
 - Although the labor market may be beginning to slow, the long and variable lags of monetary policy take time to affect the real economy and continued strong wage growth along with a historically low unemployment rate mean the Fed still has work to do.

How does Employment data impact you?

- The week’s employment data should primarily indicate that the labor market is beginning to cool.
 - A falling “quits rate” and lower average payroll increases suggest jobs are harder to come by, and workers are less willing to trade the seat they have for another opportunity.
- However, the Fed is attempting to weaken the labor market further and slow aggregate demand, so further hikes are likely.



A LOOK FORWARD¹

- This week, inflation takes center stage with the release of June CPI and PPI data.

How does Inflation impact you?

- Along with employment reports, these inflation measures are the most critical data points for the Fed as they evaluate the future path of interest rates.



MARKET UPDATE⁴

Market Index Returns as of 7/7/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-1.11%	-1.11%	15.59%	14.76%	13.33%	11.71%
NASDAQ	-0.91%	-0.91%	31.12%	18.46%	10.05%	13.19%
Dow Jones Industrial Average	-1.91%	-1.91%	2.94%	9.99%	11.21%	8.99%
Russell Mid-Cap	-0.61%	-0.61%	8.34%	11.02%	11.95%	7.95%
Russell 2000 (Small Cap)	-1.26%	-1.26%	6.73%	7.02%	10.72%	3.31%
MSCI EAFE (International)	-2.04%	-2.04%	9.39%	16.11%	7.46%	3.84%
MSCI Emerging Markets	-0.63%	-0.63%	4.22%	0.95%	-0.43%	0.95%
Bloomberg US Agg Bond	-1.30%	-1.30%	0.77%	-1.95%	-4.51%	0.46%
Bloomberg High Yield Corp.	-0.60%	-0.60%	4.74%	6.78%	2.50%	3.23%
Bloomberg Global Agg	-0.66%	-0.66%	0.76%	-1.31%	-5.37%	-1.31%



OBSERVATIONS

- Equity markets declined across the board last week with all major indexes (S&P 500, NASDAQ, and DJIA) in the red.
- In the U.S., mid-cap firms performed the best, though still declined more than half a percent.
- Developed market international stocks as measured by the MSCI EAFE underperformed all other indices, falling 2.04%.
 - Emerging market stocks held up quite well with the MSCI EM index declining just 0.63%.
- Bonds were negative domestically, internationally, and across the credit spectrum.



BY THE NUMBERS

- **Wave of Rental Resets to Further Deplete Affordable Housing:** The U.S. is at risk of losing nearly 200,000 affordable housing units over the next five years, as government protections end at hundreds of rental properties and landlords become free to set their own rents. The federal government relies on a 30-year tax credit as its main program to encourage developers to build affordable housing. Now a wave of agreements that assisted low-income renters is set to expire, offering landlords the option to charge market rate for their units instead of continuing with the government program. Many landlords are expected to raise rents following one of the highest periods of rent growth in recent history. Asking rents for market-rate units soared 25% between early 2021 and the summer of 2022, according to Apartment List, a rentals website. As many as 188,000 low-cost rental apartments funded by the government tax credit are eligible to convert their properties to market rate by 2027, according to a report from Moody's Analytics.⁵
- **First U.S. Ban on Sale of Cellphone Location Data Might be Coming:** Massachusetts lawmakers are weighing a near total ban on buying and selling of location data drawn from consumers' mobile devices in the state, in what would be a first-in-the-nation effort to rein in a billion-dollar industry. The legislature held a hearing last month on a bill called the Location Shield Act, a sweeping proposal that would sharply curtail the practice of collecting and selling location data drawn from mobile phones in Massachusetts. The proposal would also institute a warrant requirement for law-enforcement access to location data, banning data brokers from providing location information about state residents without court authorization in most circumstances.⁶

Economic Definitions

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

Nonfarm Payrolls: This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

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.

Unemployment Rate: The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

Producer Prices – PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

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.

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¹ Data obtained from Bloomberg as of 7/7/2023.

² [Microsoft Word - Jun Employment Report \(ftportfolios.com\)](#)

³ [Wage Gains, Low Unemployment Keep Pressure on Fed; Hiring Slowed in June, Jobs Report Shows - WSJ](#)

⁴ Data obtained from Morningstar as of 7/7/2023.

⁵ [Wave of Rental Resets to Further Deplete Affordable Housing - WSJ](#)

⁶ [First U.S. Ban on Sale of Cellphone Location Data Might Be Coming - WSJ](#)