

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- March new residential building permits came in at a reading of 1.413 million, an 8.8% decrease from February's unrevised figure of 1.550M. Building permits are down 24.8% compared to one year ago.
- The S&P Case-Shiller Home Price Index, which had declined for seven consecutive months, rose a modest 0.2% in February.
- Sales of new single-family houses in March 2023 were at a seasonally adjusted annual rate of 683,000. This is 9.6% above the revised February rate of 623,000 but is 3.4% below the March 2022 estimate of 707,000.
- Gross domestic product (GDP), adjusted for inflation, rose at a 1.1% annual rate in the first quarter, a third straight quarter of growth after output declined in the first half of last year.
- Headline personal consumption expenditures (PCE) price index eased from 5.1% in February to 4.2% in March.
- Although headline PCE eased significantly, core PCE only slowed slightly last month to 4.6% from a revised 4.7% in February.
- On a monthly basis, the headline and core indexes grew 0.1% and 0.3%, respectively. In the month prior, both headline and core PCE indexes ticked up 0.3%.

How do housing data, GDP, and PCE impact you?

- While home prices had registered their largest 7-month decline since 2011-12, they are still 38% higher than they were three years ago (i.e., before the pandemic). The median home price is now \$449,800, up \$16.6K from February.
- Affordability continues to hurt the housing sector, and as a result, the first quarter GDP showed that the housing sector shrank for the eighth consecutive quarter.
 - Ultimately, parts of the economy, such as the housing sector, have been negatively impacted by interest rates, which policymakers have raised repeatedly over the past year to tamp down inflation.
- However, the decline in the housing market was more than offset by robust consumer spending, which rose at an annual rate of 3.7%, the fastest growth since mid-2021 when the Covid-19 vaccine rollout lifted the economy.
 - A strong job market and rising wages have sustained consumers.



A LOOK FORWARD¹

- On Monday we will get the ISM manufacturing numbers, Economists expect a reading of 49, slightly below the expansionary mark of 50.
- On Tuesday we will receive the Job Openings and Labor Turnover Survey (JOLTS). Economists expect a further decline in job openings to 9.683 million.
- On Wednesday we will receive the ISM Services Number. Economists expect a reading of 51.8, slightly above the expansionary mark of 50.
- Wednesday, all eyes will fall on the Federal Reserve (Fed), which is expected to announce another interest rate decision.
 - Many Fed members are still concerned that inflation is too high and requires additional interest rate hikes.
- On Friday, we will receive the April jobs report. Economists anticipate that the economy will add 180,000 new jobs.

How do the manufacturing, services, and labor market reports impact you?

- While the Federal fund's futures show investors see a more than an 80% chance that the Fed will raise rates by 0.25% in May, the silver lining is that traders expect the policy rate to peak around 5% and then fall below 4.5% by year-end.
- A potential pause in the Fed hiking cycle coupled with the overall strength of the job market and possible strong reports from both the services and manufacturing sectors of the economy may soften impending recessionary fears.



MARKET UPDATE²

Market Index Returns as of 04/28/23	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	0.89%	1.56%	9.17%	2.66%	14.18%	11.27%
NASDAQ Composite TR USD	1.28%	0.07%	17.12%	0.02%	11.98%	12.43%
DJ Industrial Average TR USD	0.86%	2.57%	3.53%	5.64%	13.75%	9.36%
Russell Mid Cap TR USD	-0.32%	-0.53%	3.51%	-1.69%	12.87%	7.80%
Russell 2000 TR USD	-1.24%	-1.80%	0.89%	-3.65%	10.52%	3.96%
MSCI EAFE NR USD	0.10%	2.82%	11.53%	8.42%	11.54%	3.65%
MSCI EM NR USD	-0.27%	-1.13%	2.78%	-6.51%	4.53%	-0.90%
Bloomberg US Agg Bond TR USD	0.83%	0.61%	3.59%	-0.43%	-3.14%	1.20%
Bloomberg US Corporate High Yield TR USD	0.49%	1.00%	4.60%	1.22%	4.85%	3.28%
Bloomberg Global Aggregate TR USD	0.74%	0.44%	3.46%	-2.31%	-3.77%	-0.94%



OBSERVATIONS

- Equities had a solid week of performance across the board.
 - Broader domestic equities were positive with the S&P 500 returning +0.89%.
 - Large-cap value stocks lagged slightly with the DJ Industrial Average returning +0.86%.
 - Despite essentially being flat in April, the tech-heavy NASDAQ returned 1.28% for the last week of the month.
- Domestically, small-cap (-1.24%) and mid-cap (-0.32%) stocks lagged behind their large-cap peers.
- International and Emerging market stocks lagged domestic stocks, returning +0.10% and -0.27% respectively on the week.
- Bonds, both domestic and global, were positive on the week.
 - The Bloomberg US and Global Aggregate Bond Indices returned +0.83% and +0.74%, respectively.
 - The Bloomberg US Corporate High Yield Index returned +0.74%.



BY THE NUMBERS

- Losing long-term savings:** According to Bankrate calculations, “someone who stopped investing at 25 for a three-year period to deal with inflation, would miss out on almost \$200,000 in retirement savings by the time they were 70, had they been funneling \$2,400 a year into their account at any other point.” Those are massive losses, equivalent to several years of wages for most people starting out their careers.³
- Workers continue to Come Back to the Labor Force:** The share of prime-age workers — those between 25 and 54 — who are part of the workforce is now a tick higher than it was before the pandemic: 83.1%, compared with 83.0% in February 2020. The overall participation rate is down (62.6%, from 63.3% in February 2020), but that is due to the Baby Boom generation retiring. It's on track with what forecasters at the Congressional Budget Office anticipated before the pandemic.⁴
- US Rents Fall:** For the first time in three years, US rents fell year over year, per a Redfin report. The median asking rent was down a whole 0.4% in March (compared to the same month in 2022), landing at \$1,937—the lowest median we’ve seen in 13 months. Austin and Chicago saw the largest declines in rent over the last year, while Raleigh and Cleveland had the most aggressive gains⁵
- When should you buy concert tickets:** According to FinanceBuzz, which analyzed the resale prices of more than 22,300 concert tickets for major artist performances and 18,700 multi-day music festival passes for five major festivals, all occurring from early April to late May of last year. The study found that tickets bought at least three months in advance cost 14% more than the average ticket’s resale price—while day-of and day-before purchases saved buyers 33% and 27%, respectively.⁶

Economic Definitions

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

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

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

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.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

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.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Whereas per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

The S&P CoreLogic Case-Shiller: Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate nationally. For a list of additional indices, please refer to the S&P CoreLogic Case-Shiller Home Price Index Methodology.

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

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 pre-refunded bonds.

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¹ Data Obtained from Bloomberg as of 04/28/2023.

² Data Obtained from Morningstar as of 04/28/2023.

³ https://www.bankrate.com/banking/federal-reserve/americans-could-keep-feeling-inflation-impact/?utm_campaign=ms&utm_medium=newsletter&utm_source=morning_brew#high-inflation

⁴ https://www.axios.com/2023/04/17/no-more-missing-worker-problem-say-white-house-economists?utm_campaign=ms&utm_medium=newsletter&utm_source=morning_brew

⁵ https://www.redfin.com/news/redfin-rental-report-march-2023/?utm_campaign=ms&utm_medium=newsletter&utm_source=morning_brew

⁶ https://financebuzz.com/when-to-buy-concert-tickets?utm_source=yahoo&utm_medium=feed&synd_postid=7091&synd_backlink_title=Data+Reveals+When+to+Buy+Concert+Tickets+for+the+Best+Prices&synd_backlink_position=5&synd_slug=when-to-buy-concert-tickets