

# MARKET VIEW WEEKLY

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

- Highly anticipated inflation data once again dominating the headlines with both the Consumer Price Index (CPI) and Producer Price Index (PPI) from June being released.
  - All major indicators came in at, or lower than expectations.
- Headline CPI dropped to 3.0% year over year, dropping from 4.0% this time last month, and below expectations of 3.1%.
  - The largest decrease year over year came from fuel oil which is down -36.6% on a yearly basis. Conversely, the largest increase came from transportation services which was up 8.2% on a yearly basis.<sup>2</sup>
  - A 7.8% yearly increase in the cost of shelter (which comprises over 34% of CPI) shows the difficulty the Federal Reserve (Fed) has faced in bringing inflation back under control.<sup>2</sup>
  - Headline CPI increased 0.2% monthly.
- Core CPI also fell from 5.3% to 4.8% year over year.
  - Core CPI excludes the volatile food and energy sections from CPI.
  - Energy has helped drive the downward shift in headline numbers, so excluding it from core inflation leaves that level elevated.
  - Core CPI increased 0.2% month over month.
- Headline PPI declined to 0.1% year over year, which represents the lowest reading since a deflationary environment during 2020.
  - PPI increased 0.1% monthly as manufacturing in the U.S. continues to struggle.
- Core PPI came in lower than anticipated at 2.4% compared to an expected 2.6%.
  - Core PPI excludes trade services, including transportation and warehousing, a sector that partially brought down PPI due to a substantive drop in diesel prices.<sup>3</sup>

### How does inflation data impact you?

- The week's inflation data should primarily indicate that inflation is continuing to trend downward.
  - Core CPI numbers, which have remained resilient, came down half a percentage point.
- The Fed is keeping a keen eye on inflation data; their historic monetary tightening cycle has the goal of bringing inflation back under control.



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

- This week, the consumer takes center stage. Retail sales and building permits should both give insight into the resiliency of demand in the economy.
  - The housing sector is typically interest-rate sensitive and is a key point the Fed watches.

### How does consumer-centric data impact you?

- Along with employment reports, these measures provide key insight into the overall health of the economy.

- Additionally, the Fed closely monitors inflation metrics and economic health when making rate policy changes.



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

Market Index Returns as of 7/14/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	2.44	1.30	18.41	18.64	13.56	11.91
NASDAQ	3.32	2.38	35.47	24.34	11.05	13.52
Dow Jones Industrial Average	2.29	0.35	5.30	12.69	10.92	8.99
Russell Mid-Cap	2.84	2.21	11.42	15.69	12.00	8.39
Russell 2000 (Small Cap)	3.58	2.28	10.55	12.42	10.72	4.12
MSCI EAFE (International)	4.87	2.73	14.71	23.93	8.23	4.80
MSCI Emerging Markets	4.95	4.28	9.38	10.00	1.27	1.59
Bloomberg US Agg Bond	1.51	0.20	2.29	-1.35	-4.12	0.72
Bloomberg High Yield Corp	1.60	0.99	6.42	8.21	2.83	3.46
Bloomberg Global Agg	2.28	1.60	3.06	0.84	-4.80	-0.78



## OBSERVATIONS

- It was a strong week with all major equity and fixed income indices tracking upward. The NASDAQ continued its strong year up another 3.32% on the week.
- In the U.S., small-cap firms performed the best, up over 3.5% last week, outperforming both the S&P 500 and NASDAQ.
- International markets both emerging and developed outperformed domestic markets, fueled in part by a weakening dollar.
- Bonds had a strong week, as many central bankers approach the end of their rate hiking campaign.



## BY THE NUMBERS

- **Swedish Inflation Stays High Despite Beyoncé Effect Staying Transitory.** Danske Bank blamed May's 3.3% month-over-month increase in inflation within hotels and restaurant on the singer's tour stop in Sweden. The June print showed that inflation within the same industry increased only 0.33% in line with its average pace. This so called "tourflation" is not specific to Beyoncé, other stadium filling names like Taylor Swift, Bruce Springsteen, and Harry Styles often bring higher travel and accommodation costs with them on tour. The overall inflationary environment of Sweden cannot be blamed entirely on Beyoncé as overall inflation fell slightly from 9.7% to 9.3% and exceeded economists' forecasts once again. This puts continued pressure on Sweden's central bank to raise rates again at their next meeting in September.<sup>5</sup>
- **Hollywood Actors Join Writers on Strike.** Many of Hollywood's actors went on strike effective July 14<sup>th</sup> after the Screen Actors Guild union failed to reach a new labor contract with studios. This is the first time that actors and writers have been on strike together since 1960. The strike comes on top of an ongoing writers' strike that focuses on compensation, royalties from streaming services, and the use of AI within the creative process. This strike will likely have a lagging effect as streaming services tend to produce programming far in advance. Streaming services like Paramount+ and Disney+ are already struggling to turn a profit, so if a deal is not reached before 2024, both streaming services and traditional television producers will face challenges meeting the demand of new content from consumers. After one meeting from the Screen Actors Guild, and the American Federation of Television and Radio Artists, there appears to be a long way to go before an agreement is reached.<sup>6</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.

**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.

**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.

## *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*

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<sup>1</sup> Data obtained from Bloomberg as of 7/14/2023.

<sup>2</sup> [Consumer Price Index - June 2023 \(bls.gov\)](https://www.bls.gov)

<sup>3</sup> [Producer Price Index News Release summary - 2023 M06 Results \(bls.gov\)](https://www.bls.gov)

<sup>4</sup> Data obtained from Morningstar as of 7/14/2023.

<sup>5</sup> [Swedish inflation stays high despite Beyoncé effect proving transitory | Financial Times \(ft.com\)](https://www.ft.com)

<sup>6</sup> [SAG Strike: Hollywood Actors Join Writers on Strike - WSJ](https://www.wsj.com)