

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- Durable Goods Orders increased in May after an expected decline for the month.
 - Durable Goods Orders rose by 1.7% driven by a 34.5% increase to non-defense aircraft and parts.
- New Home Sales surpassed analysts' expectations.
 - New Home Sales hit 763k in May, beating the expected 676k and rising from the previous reading of 680k.
 - The rise in New Home Sales was the largest increase in more than a year.
- Conference Board Consumer Confidence rose by 7.6 points to 109.7.
 - This blew past expectations of 104.0 as confidence in the economy continues to rise.
- The third estimate of the Q1 GDP print came out above its forecasted level.
 - Q1 GDP came out at 2.0%, which is well above the original estimate of 1.3%.
- Personal Consumption Expenditures (PCE) data came in marginally better than expectations.
 - PCE year-over-year was 3.8% (4.3% est. 4.3% prior).
 - Core PCE year-over-year was 4.6% (4.7% est. 4.7% prior).
- Personal Income and Personal Spending both came out near expected.
 - Personal Income was 0.4% for May (est. 0.3%).
 - Personal Spending was 0.1% for May (est. 0.2%).

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

- Core PCE is the Federal Reserve's favorite measure of inflation. Although it is below 4% that is still nearly double the target of 2%.
- An advancement in both GDP and Durable Goods Orders shows that the economy is not slowing as expected earlier this year.
- New Home Sales is an indicator of future economic growth and a current testament to the heat contained within the residential real estate market.
- High mortgage rates continue to hamper supply as owners are disincentivized from listing their properties and refinancing in an elevated rate environment, forcing new home demand even higher.



A LOOK FORWARD¹

- As the 4th of July holiday wraps up, all eyes will be focused on June's unemployment rate (est. 3.6% prior to 3.7%) and change in nonfarm payroll (est. 225k prior 339k), both coming out on Friday.

How do Nonfarm Payrolls and the Unemployment Rate impact you?

- One of the mandates of the Federal Reserve is to keep unemployment low. Their decision to hike or pause interest considers both measures.
- The downward forecasts compared to last month suggest that the economy is not slowing down and that the labor market remains healthy.



MARKET UPDATE²

Market Index Returns as of 6/30/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	2.36	8.74	16.89	19.59	14.61	12.31
NASDAQ	2.20	13.05	32.32	26.14	11.95	13.93
Dow Jones Industrial Average	2.02	3.97	4.94	14.23	12.31	9.59
Russell Mid-Cap	3.90	4.76	9.01	14.92	12.51	8.46
Russell 2000 (Small Cap)	3.75	5.21	8.09	12.31	10.83	4.21
MSCI EAFE (International)	1.66	2.95	11.67	18.77	8.94	4.39
MSCI Emerging Markets	-0.04	0.90	4.89	1.75	2.32	0.93
Bloomberg Barclays US Agg Bond	-0.26	-0.84	2.09	-0.94	-3.97	0.77
Bloomberg Barclays High Yield Corp.	0.83	1.75	5.38	9.06	3.14	3.36
Bloomberg Barclays Global Agg	-0.27	-1.53	1.43	-1.32	-4.97	-1.09



OBSERVATIONS

- Equity markets rallied significantly during the last week of the quarter with all major indexes (S&P 500, NASDAQ, and DJIA) returning over 2.0%.
- In the U.S., smaller-sized companies outperformed their larger counterparts, as the Russell 2000 index increased 3.75% on the week.
- International stocks as measured by the MSCI EAFE also had a strong week, increasing 1.66%, but still underperforming domestic stocks.
- Emerging market stocks were the laggard of the group with the MSCI EM index down -0.04%.
- U.S. investment grade bonds were negative last week with the Bloomberg Barclays U.S. Aggregate Bond index down -0.26%.



BY THE NUMBERS

- **Yankees pitcher Domingo Germán threw a perfect game.** It only took Germán 99 pitches to become the first player since 2012 to complete such a feat as the Yankees cruised through the Oakland A's to an 11-0 win. A perfect game describes a game "in which a pitcher retires all 27 batters he faces without allowing a single baserunner". This marks only the 24th perfect game in history, and the 4th for the Yankees. "Germán dedicated the performance to an uncle of his who died two days ago who was 'always someone that really brought a lot of joy to our family.'" ³
- **Apple's market cap surpassed three trillion:** The NASDAQ has been on a hot streak this year, off to its best start since 1983, in part because of large returns for large tech names like Apple, whose shares are up over 50% on the year. Only six companies have a market cap of over one trillion dollars, with Microsoft and Apple being the only ones to surpass two trillion. Now, Apple stands alone above the three trillion mark. The only other time a company has been valued at such a level was in January 2022 when Apple briefly overcame the three trillion-dollar barrier but did not close there. Apple is now worth more than 5 of the 11 sectors listed on the S&P 500.⁴

Economic Definitions

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

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.

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.

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.

New Home Sales: This concept tracks sales of newly constructed homes during the reference period. The Implicit US index is computed by taking the number of houses sold in the US and dividing it by the seasonally adjusted number of houses sold in the US.

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.

Conference Board Consumer Confidence Index: The Consumer Confidence Survey® reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectation for inflation, stock prices and interest rates. Data are data available by age, income, region and top 8 states.

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.

Durable Goods Orders: This concept tracks the value of new orders received during the reference period. Orders are typically based on a legal agreement between two parties in which the producer will deliver goods or services to the purchaser at a future date.

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.

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 6/30/2023.

² Data obtained from Morningstar as of 6/30/2023.

³ [Domingo German of Yankees Throws First Perfect Game Since 2012 - The New York Times \(nytimes.com\)](https://www.nytimes.com/2012/03/26/sports/yankees/26-domingo-german-of-yankees-throws-first-perfect-game-since-2012.html)

⁴ [Apple's Market Cap Touches \\$3 Trillion \(wsj.com\)](https://www.wsj.com/articles/apple-market-cap-touches-3-trillion-1514141000)