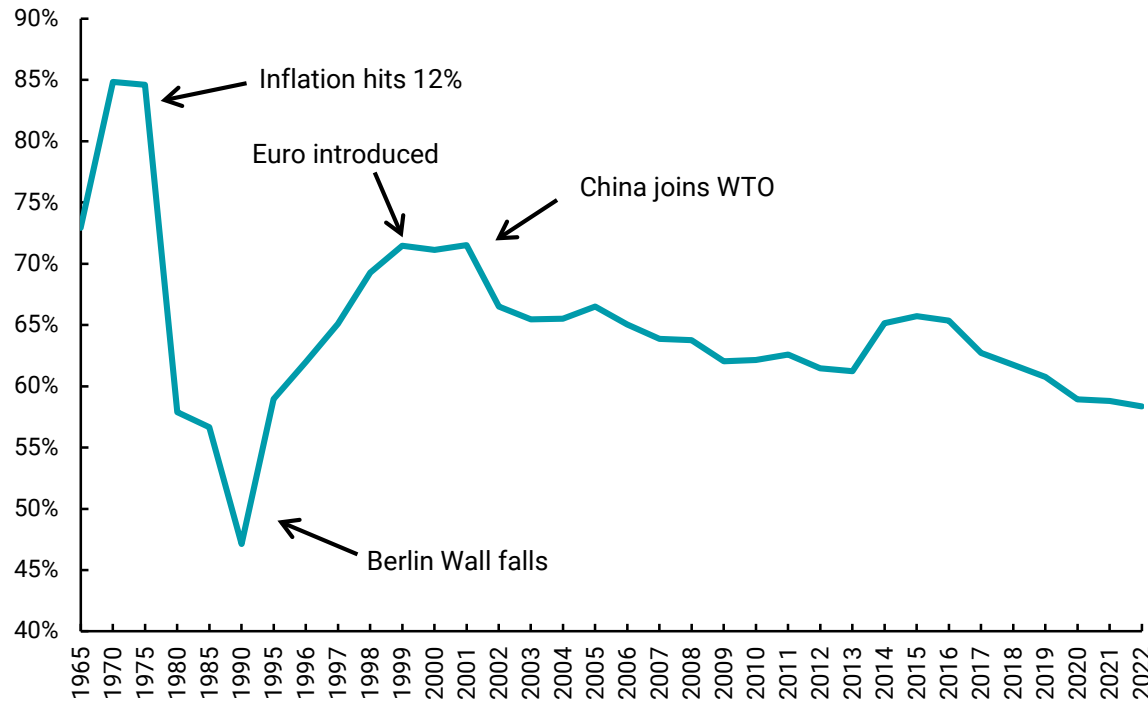


# Weekly market update



## Chart of the week (Apr. 07, 2023)

**US Dollar Share of Global Allocated Foreign Exchange Reserves**



As we exit the global pandemic, it is clear that the impact of COVID-19 will be felt for years, if not decades. The business model risk of having all, or a material part, of one's production overseas was highlighted as China pursued its zero-COVID policies and supply chains were disrupted.

On another front, Russia's invasion of Ukraine put an end to the idea that a highly interconnected global economy would keep countries from taking unwanted military action. And the U.S. response to the invasion was important as well. Not only did we provide significant weaponry and fiscal support to Ukraine, but we also restricted Russia's ability to access their dollar-denominated reserves, which were held in our financial system. This action has led a number of countries to re-assess their holdings of dollars. This is not unlike the way companies are now reassessing the risk of having all or a material portion of the production overseas.

After World War II, the U.S. was almost the only country standing with any economic productivity, and the use of the dollar in commerce soared globally. However, the onset of the Cold War began a period of reduced dollar dominance which ended as the Berlin Wall fell and the age of globalization began. The creation of the eurozone as an economic entity and currency and the joining of the World Trade Organization by China capped the use of the dollar; but it remains, by far, the largest currency within the global economy.

At present, the dollar represents about 58% of global reserve currencies. The next largest currency is the euro, at 15%, followed by the yen. Importantly, for any currency to serve as the world's reserve currency, it must be free floating in price, with minimal flow restrictions. This means currencies like the Chinese Yuan are far from being able to serve this purpose. Our current fiscal path may not be sustainable over the long term, but we are far from seeing the dollar's end as the global reserve currency.

# Weekly market update



## Commentary (Apr. 07, 2023)

### Domestic Equities

- U.S. stocks were about flat in this short trading week. Equity markets were closed on Friday.
- On the brink of earnings reporting season, there is optimism that recent strains in the banking sector will not lead to a full-blown crisis and that the Fed is close to being done raising rates. At the same time, investors are wary of economic data and on the lookout for signs of a recession.
- Analysts currently expect earnings to rise about 1% in 2023, down from around 5% at the end of last year. Even a mild recession would likely call for a further decline in this expectation.
- Shares of Costco fell over 2% on Thursday after the retailer reported a drop in monthly same-store sales for the first time since 2020.

### Bonds

- U.S. Treasury bonds initially rallied on weaker economic data, but the sector gave back most of its gain on Friday following the release of stronger-than-expected employment data.
- Rate hike expectations for the May FOMC meeting increased, with the market assigning a +70% probability that the committee hikes by 0.25%. On Tuesday, this sentiment was corroborated by Cleveland Fed President Mester, who said that she sees interest rates moving above 5% and rates adjusted for inflation staying in positive territory for some time.
- The Royal Bank of India surprised markets by holding rates unchanged at 6.5%. The Indian central bank joins Canada, Australia and Indonesia as the fourth major central bank to pause their rate hiking cycle.
- The S&P downgraded Ukraine's foreign currency credit rating to CCC on the country's debt restructuring plans.

### International Equities

- Investor sentiment remains fragile after OPEC+ announced its oil production cut, renewing concerns about the resilient inflation risks and future global economic growth.
- Following last week's strong gains, foreign developed markets struggled to find momentum this week. Some markets across Europe moved higher while stocks within the Pacific region struggled. Sentiment towards Europe is improving as a growing chorus of European Central Bank officials communicated that interest-rate increases may soon end.
- Emerging markets fell for the week as the largest stock markets across Asia and Latin America faced headwinds. South Korean stocks dropped when factory activity contracted at the fastest pace in six months as output and new orders fell, suggesting that weaker global demand will be a drag on the country's exports.

### Economics

- The Bureau of Labor Statistics reported total non-farm payroll employment rose by 236,000 in March. Job growth was most notable in leisure and hospitality, rising 72,000 in the month. The unemployment rate (U-3) slightly declined to 3.5%. The labor force participation rate increased to 62.6%.
- The Job Openings and Labor Turnover Summary indicated job openings declined by 632,000 in March to 9.9 million, the lowest level since May 2021.
- The Department of Labor applied a revised seasonal adjustment to initial claims for unemployment, adjusting weekly claims from March 25 higher by 48,000. For the week ending April 1, claims fell by 18,000, totaling 228,000.
- The Consumer Price Index and the Producer Price Index will be released on Wednesday and Thursday, respectively. Retail sales will be released on Friday.

## Weekly Market Update

For Week Ending April 07, 2023

### Markets

|                             | Last Price | Change From Prior Week | Change From Year End | Change From Year Ago |
|-----------------------------|------------|------------------------|----------------------|----------------------|
| <b>Capital Markets</b>      |            |                        |                      |                      |
| Dow Jones Industrial Avg    | 33,485.29  | 0.7%                   | 1.6%                 | -0.8%                |
| S&P 500 Index               | 4,105.02   | -0.1%                  | 7.4%                 | -6.8%                |
| NASDAQ                      | 12,087.96  | -1.1%                  | 15.8%                | -12.1%               |
| S&P 400 Midcap Index        | 2,447.09   | -2.6%                  | 1.1%                 | -5.2%                |
| S&P 600 Smallcap Index      | 1,150.01   | -2.7%                  | -0.2%                | -8.7%                |
| MSCI EAFE                   | 7,174.00   | 0.5%                   | 9.0%                 | 1.6%                 |
| MSCI Emerging Markets       | 503.92     | -0.3%                  | 3.7%                 | -9.7%                |
| Bloomberg US Agg            | 2,119.77   | 0.5%                   | 3.5%                 | -2.8%                |
| Bloomberg Municipal 5 Yr    | 480.28     | 0.5%                   | 2.5%                 | 2.8%                 |
| Bloomberg US Corporate      | 3,086.00   | 0.5%                   | 4.0%                 | -3.4%                |
| Bloomberg Gbl Agg ex US Hdq | 538.78     | 0.5%                   | 3.3%                 | -2.1%                |
| Bloomberg High Yield        | 2,266.01   | 0.1%                   | 3.7%                 | -2.2%                |
| MSCI US REIT Index          | 1,942.10   | -0.9%                  | 1.4%                 | -21.5%               |
| Bloomberg Commodity Index   | 234.51     | 0.8%                   | -4.6%                | -11.9%               |

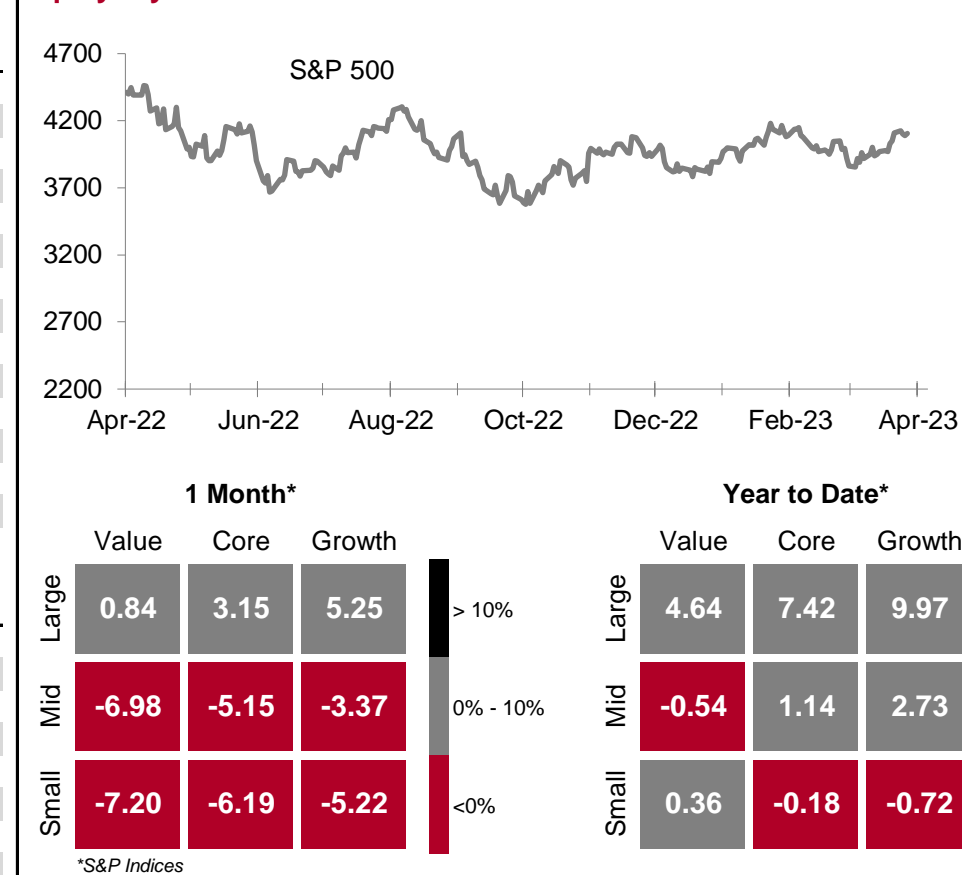
|                  | Last Price/Yield | Prior Week | Year End | Year Ago |
|------------------|------------------|------------|----------|----------|
| <b>Key Rates</b> |                  |            |          |          |
| Fed Funds Target | 5.00%            | 5.00%      | 4.50%    | 0.50%    |
| 3-Month Treasury | 4.75%            | 4.69%      | 4.34%    | 0.67%    |
| 1-Year Treasury  | 4.56%            | 4.59%      | 4.69%    | 1.69%    |
| 2-Year Treasury  | 3.98%            | 4.03%      | 4.43%    | 2.46%    |
| 5-Year Treasury  | 3.50%            | 3.57%      | 4.00%    | 2.71%    |
| 7-Year Treasury  | 3.44%            | 3.53%      | 3.97%    | 2.73%    |
| 10-Year Treasury | 3.39%            | 3.47%      | 3.87%    | 2.66%    |
| 30-Year Treasury | 3.61%            | 3.65%      | 3.96%    | 2.68%    |

| <b>Consumer Rates</b> |       |       |       |       |
|-----------------------|-------|-------|-------|-------|
| 30-Year Mortgage      | 6.86% | 6.81% | 6.66% | 5.04% |
| Prime Rate            | 8.75% | 8.75% | 8.25% | 4.25% |
| 3-Month LIBOR         | 5.20% | 5.19% | 4.77% | 0.99% |

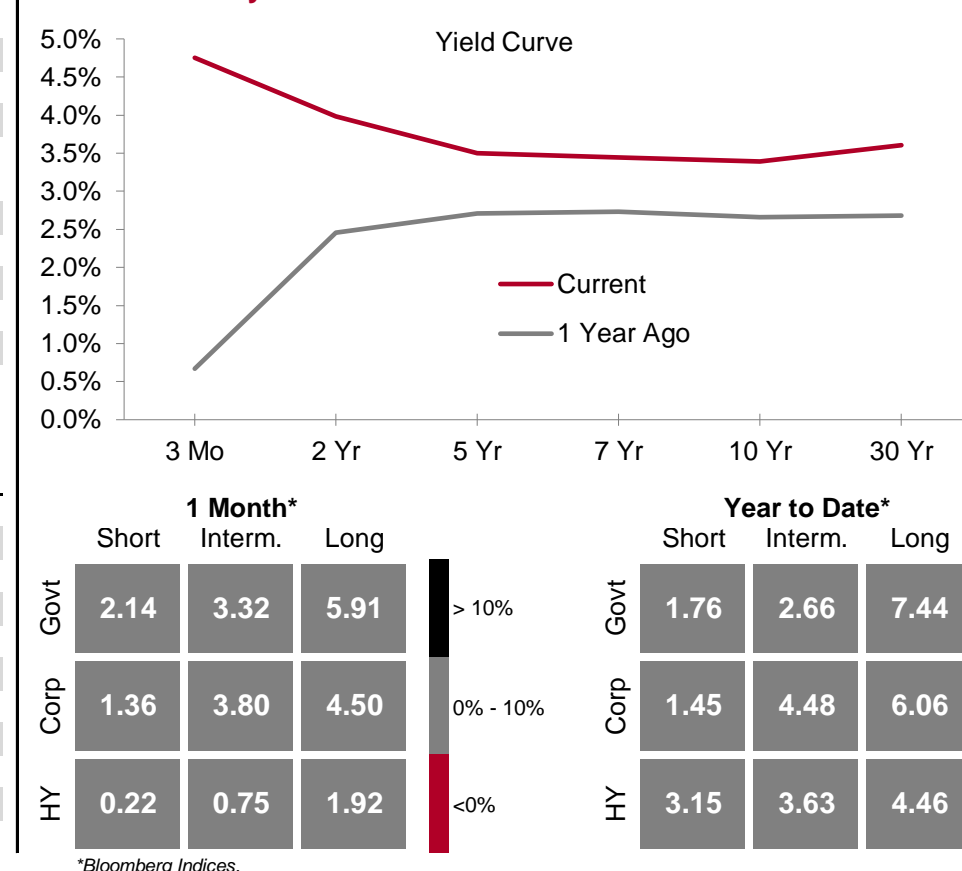
| <b>Commodities</b> |          |          |          |          |
|--------------------|----------|----------|----------|----------|
| Gold               | 2,007.91 | 1,969.28 | 1,824.02 | 1,931.86 |
| Crude Oil (WTI)    | 80.70    | 75.67    | 80.26    | 87.68    |
| Gasoline           | 3.61     | 3.53     | 3.20     | 4.27     |
| Natural Gas        | 2.01     | 2.22     | 4.48     | 4.36     |
| Copper             | 4.02     | 4.09     | 3.81     | 4.70     |

|                              | P/E Forward | P/E Trailing | Price to Book | Current Div Yield |
|------------------------------|-------------|--------------|---------------|-------------------|
| <b>Index Characteristics</b> |             |              |               |                   |
| Dow Jones Industrial Avg     | 17.79       | 19.00        | 4.47          | 2.19              |
| S&P 500                      | 18.82       | 18.46        | 4.06          | 1.71              |
| S&P 500 Value                | 16.96       | 17.19        | 2.73          | 2.14              |
| S&P 500 Growth               | 20.81       | 19.73        | 7.04          | 1.34              |
| NASDAQ                       | 16.73       | 15.20        | 3.78          | 2.33              |
| S&P Midcap 400               | 14.24       | 12.23        | 2.20          | 2.17              |
| S&P Smallcap 600             | 14.02       | 12.90        | 1.71          | 1.86              |
| MSCI EAFE                    | 13.03       | 13.83        | 1.76          | 3.41              |
| MSCI Emerging Markets        | 12.47       | 12.02        | 1.59          | 3.08              |

### Equity Style



### Fixed Income Style



### Economic Data

|  | Last Release | Year Ago |
|--|--------------|----------|
| <b>Inflation</b>                       |              |          |
| CPI Headline Inflation                 | 6.0%         | 7.9%     |
| CPI Core Inflation                     | 5.5%         | 6.4%     |
| Personal Consumption Exp (PCE) Core    | 4.6%         | 5.4%     |
| <b>Jobs</b>                            |              |          |
| Unemployment Rate (U3)                 | 3.5%         | 3.6%     |
| Broader Unemployment Rate (U6)         | 6.7%         | 6.9%     |
| JOLT Survey (in millions)              | 9.93         | 11.60    |
| Jobless Claims (000's)                 | 228          | 214      |
| Change in Non-Farm Payroll (000's)     | 236          | 414      |
| Average Hourly Earnings (Y/Y % Change) | 4.2%         | 5.9%     |
| <b>Consumer &amp; Spending</b>         |              |          |
| Consumer Confidence (Conf Board)       | 104.2        | 107.6    |
| Consumer Spending (\$ Bil)             | 18,125       | 16,845   |
| Consumer Credit (\$ Bil)               | 4,821        | 4,478    |
| Retail Sales (\$ Bil)                  | 698          | 662      |
| <b>Housing</b>                         |              |          |
| Housing Starts (000's)                 | 1,450        | 1,777    |
| Case-Shiller Home Price Index          | 292.71       | 282.01   |
| <b>U.S. Productivity</b>               |              |          |
| Real Gross Domestic Product (\$ Bil)   | 20,183       | 20,006   |
| Quarter over Quarter Change            | 2.6%         | 7.0%     |
| Year Over Year Change                  | 0.9%         | 5.7%     |
| ISM Manufacturing                      | 46.30        | 57.00    |
| Capacity Utilization                   | 79.11        | 79.93    |
| Markit US Composite PMI                | 52.30        | 57.70    |
| <b>U.S. General</b>                    |              |          |
| Leading Economic Indicators            | 110.0        | 117.6    |
| Trade Weighted Dollar Index            | 119.5        | 115.2    |
| EUR / USD                              | 1.09         | 1.09     |
| JPY / USD                              | 132.16       | 123.95   |
| CAD / USD                              | 0.74         | 0.79     |
| AUD / USD                              | 0.67         | 0.75     |

### S&P 500 Sector Returns

|                        | 1 Month | YTD    |
|------------------------|---------|--------|
| Communication Services | 11.12%  | 23.57% |
| Information Technology | 7.70%   | 20.34% |
| Consumer Discretionary | 1.67%   | 12.71% |
| Materials              | -1.94%  | 2.97%  |
| Consumer Staples       | 5.26%   | 1.56%  |
| Real Estate            | -0.71%  | 0.90%  |
| Industrials            | -3.87%  | -0.14% |
| Utilities              | 7.47%   | -0.23% |
| Health Care            | 5.55%   | -1.33% |
| Energy                 | 0.33%   | -1.78% |
| Financials             | -8.47%  | -6.26% |

Source: Bloomberg

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