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Market Week: March 20, 2023



The Markets (as of market close March 17, 2023)

Stocks closed mostly higher during a volatile week. The Nasdaq and the S&P 500 led the benchmark indexes listed here, while the Dow, the Russell 2000, and the Global Dow declined in value. Crude oil prices settled at the lowest level since December 2021. Gold prices vaulted up nearly 6.0%, while the dollar ticked lower. Financials took a hit last week as U.S. banks borrowed nearly \$165 billion through the Federal Reserve on the heels of the failure of Silicon Valley Bank. On the other hand, the technology sector was clearly the beneficiary of an otherwise tumultuous week. In fact, the Nasdaq enjoyed its best week since November of 2022.

Last week began with stocks generally sliding lower by the end of Monday's trading session. Among the benchmark indexes listed here, only the Nasdaq (0.5%) ended higher. The Russell 2000 (-1.6%), the Global Dow (-1.5%), the Dow (-0.3%), and the S&P 500 (-0.2%) closed lower. Bond prices surged, with yields tumbling. Ten-year Treasury yields lost 18.0 basis points to close at 3.51%. With two banks closing last weekend, bank stocks were hard hit on Monday. Investors moved to consumer staples, utilities, and health care sectors, which outperformed. Crude oil prices dropped 2.90%, settling at \$74.46 per barrel. The dollar slid lower. Gold prices advanced over \$50.00 to reach \$1,917.60 per ounce.

Stocks reversed course last Tuesday, surging higher following a stretch of poor returns. The Nasdaq led the benchmark indexes, climbing 2.1%, followed by the Russell 2000 (1.9%), the S&P 500 (1.7%), the Dow (1.1%), and the Global Dow (0.6%). Ten-year Treasury yields closed at 3.79%, up 12.3 basis points. Crude oil prices fell to \$71.55 per barrel, the lowest price since December 2022. The dollar was little changed, while gold prices edged lower. Investors, hoping that the Federal Reserve will slow the pace of interest-rate hikes, were encouraged by the latest Consumer Price Index (see below), which was in line with expectations.

Investors moved from risk last Wednesday as shares of a major financial institution tumbled to record lows, adding more pressure to the financial sector. Only the Nasdaq was able to eke out a gain of 0.1% by the close of trading. The remaining benchmark indexes listed here closed in the red, led by the Global Dow (-2.3%), followed by the Russell 2000 (-1.7%), the Dow (-0.9%), and the S&P 500 (-0.7%). Ten-year Treasury yields fell 14.6 basis points to 3.49%. Crude oil prices have come under pressure lately, declining more than 7.0% during the day, ultimately falling 4.3% to \$68.27 per barrel. Gold prices (+0.6%) and the dollar (+1.1%) increased.

Stocks enjoyed a broad-based rally last Thursday as financials rebounded, following reports that two major banks were getting financial assistance. The Nasdaq gained 2.5% to lead the benchmark indexes listed here, followed by the S&P 500 (1.8%), the Russell 2000 (1.5%), the Dow (1.2%), and the Global Dow (0.9%). Ten-year Treasury yields rose 9.3 basis points, closing at 3.58% as bond prices slid lower. Crude oil prices climbed \$0.65 to \$68.26 per barrel. Both the dollar and gold prices declined.

Last Friday saw stocks tumble lower as Wall Street was unable to extend the previous day's gains. The Russell 2000 fell 2.6%, followed by the Dow (-1.2%), the S&P 500 (-1.1%), the Global Dow (-0.8%), and the Nasdaq (-0.7%). Ten-year Treasury yields lost 19.0 basis points, ending the day at 3.39%. Crude oil prices dropped to \$66.29 per barrel. The dollar dipped lower, while gold prices advanced.

Key Dates/Data Releases

3/21: Existing home sales

3/22: FOMC statement

3/23: New home sales

3/24: Durable goods orders

Stock Market Indexes

| Market/Index | 2022 Close | Prior Week | As of 3/17 | Weekly Change | YTD Change |
|------------------------|-------------|-------------|-------------|---------------|------------|
| DJIA | 33,147.25 | 31,909.64 | 31,861.98 | -0.15% | -3.88% |
| Nasdaq | 10,466.48 | 11,138.89 | 11,630.51 | 4.41% | 11.12% |
| S&P 500 | 3,839.50 | 3,861.59 | 3,916.64 | 1.43% | 2.01% |
| Russell 2000 | 1,761.25 | 1,772.70 | 1,725.90 | -2.64% | -2.01% |
| Global Dow | 3,702.71 | 3,825.82 | 3,714.42 | -2.91% | 0.32% |
| Fed. Funds target rate | 4.25%-4.50% | 4.50%-4.75% | 4.50%-4.75% | 0 bps | 25 bps |
| 10-year Treasuries | 3.87% | 3.69% | 3.39% | -30 bps | -48 bps |
| US Dollar-DXY | 103.48 | 104.64 | 103.94 | -0.67% | 0.44% |
| Crude Oil-CL=F | \$80.41 | \$76.53 | \$66.29 | -13.38% | -17.56% |
| Gold-GC=F | \$1,829.70 | \$1,872.40 | \$1,982.00 | 5.85% | 8.32% |

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The Consumer Price Index rose 0.4% in February after increasing 0.5% in January. Over the 12 months ended in February, the CPI has risen 6.0%. The increase in prices for shelter (0.8%) accounted for over 70.0% of the overall CPI increase. Prices, less food and energy, rose 0.5% in February after advancing 0.4% in January. In February, prices for food rose 0.4% (6.0% for the past 12 months); energy prices rose 0.6% (gasoline prices rose 1.0%); prices for apparel advanced 0.8%; and prices for transportation services rose 1.1%. Prices for new vehicles rose 0.2%, while prices for used cars and trucks fell 2.8%.
- Prices at the producer level declined 0.1% in February, following a 0.3% advance in January. For the 12 months ended in February, producer prices rose 4.6%. In February, prices for goods (-0.2%) and services (-0.1%) declined. A major factor in the decrease in prices for goods was a 2.2% decline in prices for foods, with prices for chicken eggs dropping 36.1%, accounting for over 80% of the decline in goods prices. Energy prices also slid lower, falling 0.2% last month. Producer prices, less foods and energy, advanced 0.3% in February. Leading the decline in prices for services was a 0.8% drop in margins for trade services (trade indexes measure changes in margins received by wholesalers and retailers). Prices for transportation and warehousing services fell 1.1%. In contrast, prices for services, less trade, transportation, and warehousing, advanced 0.3%.
- According to the latest release from the Census Bureau, retail and food services prices fell 0.4% last month after increasing 3.2% in January. Retail and food services prices are 5.4% higher compared to February 2022. Retail trade sales were down 0.1% from January 2023, but up 4.0% from a year ago. Prices for food services and drinking places were up 15.3% from February 2022, while prices for general merchandise stores were up 10.5% from last year.
- Prices for U.S. imports edged down 0.1% in February after declining 0.4% in January. Lower fuel prices (-4.9%) in February more than offset higher nonfuel prices (0.4%). Prices for imports decreased each month since June 2022 with the exception of a 0.1% advance in December 2022. Import prices declined 1.1% from February 2022 to February 2023, the first 12-month decrease since December 2020, and the largest 12-month drop since September 2020. Export prices increased 0.2% in February, following a 0.5% advance the previous month. Prior to January, export prices hadn't increased since June 2022. Nevertheless, export prices fell 0.8% over the past 12 months ended in February, the first 12-month decrease since the period ended November 2020. Driving the increase in export prices in February was a 1.0% increase in agricultural export prices. Export prices, excluding agricultural prices, ticked up 0.1% last month.
- Industrial production remained stagnant, unchanged in February from the previous month. Since September 2022, industrial production has risen only one month, advancing 0.3% in January. Manufacturing output edged up 0.1% but was 1.0% below its level in February 2022. Mining fell 0.6%, while utilities rose 0.5%. In February, total industrial production was 0.2% below its year-earlier level.
- The number of issued residential building permits jumped 13.8% in February, although they remain 17.9% under the February 2022 rate. Building permits issued for single-family construction rose 7.6% in February. The number of housing starts increased 9.8% in February, but trail the February 2022 pace by



18.4%. Single-family housing starts were 1.1% over the January total. Housing completions increased 12.2% above the January estimate and 12.8% over the February 2022 rate. Single-family housing completions in February were 1.0% above the previous month's pace.

- The national average retail price for regular gasoline was \$3.456 per gallon on March 13, \$0.067 per gallon more than the prior week's price, but \$0.859 less than a year ago. Also, as of March 13, the East Coast price increased \$0.073 to \$3.315 per gallon; the Gulf Coast price increased \$0.108 to \$3.087 per gallon; the Midwest price rose \$0.045 to \$3.310 per gallon; the Rocky Mountain price decreased \$0.012 to \$3.730 per gallon; and the West Coast price increased \$0.061 to \$4.402 per gallon. Residential heating oil prices averaged \$4.186 per gallon on March 13, \$0.059 below the previous week's price, and \$0.749 per gallon less than a year ago.
- For the week ended March 11, there were 192,000 new claims for unemployment insurance, a decrease of 20,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended March 4 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended March 4 was 1,684,000, a decrease of 29,000 from the previous week's level, which was revised down by 5,000. States and territories with the highest insured unemployment rates for the week ended February 25 were Rhode Island (2.9%), New Jersey (2.7%), Massachusetts (2.5%), California (2.4%), Minnesota (2.4%), Montana (2.1%), New York (2.1%), Alaska (2.0%), Connecticut (2.0%), and Illinois (2.0%). The largest increases in initial claims for unemployment insurance for the week ended March 4 were in New York (+16,244), California (+9,918), Kentucky (+2,789), Oregon (+1,276), and Ohio (+1,209), while the largest decreases were in Rhode Island (-1,687), Massachusetts (-1,134), the District of Columbia (-937), Illinois (-753), and Florida (-428).

Eye on the Week Ahead

The latest data on the housing market is available this week. Sales of existing homes have fallen 12 consecutive months heading into February. It is unlikely that trend will change with the release of the current information from the National Association of Realtors®. New home sales, conversely, have fared much better.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.



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