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Market Week: March 27, 2023



The Markets (as of market close March 24, 2023)

Investors were on edge for most of the week, with concerns about banking, rising interest rates, inflation, and volatile stock and bond markets. Treasury yields dipped to their lowest levels since September. Indicative of the bumpy week of trading, the Russell 2000 gained, then fell to its lowest level since October, then bounced back to end the week higher. By the end of last week, the Nasdaq and the S&P 500 advanced the furthest among the benchmark indexes listed here. Ten-year Treasury yields ended about where they began. The dollar advanced later in the week, but not enough to keep from closing lower. Crude oil prices remained below \$70.00 per barrel, despite closing the week up more than 4.0%. Gold prices slipped minimally.

Stocks closed last Monday higher to begin the week. Investors held the line with equities as they awaited the latest action from the Federal Reserve following the conclusion of its two-day meeting on Wednesday. All 11 S&P 500 market sectors ended the session up, with energy, financials, communication services, consumer discretionary, and materials leading the way. Among the benchmark indexes listed here, the Dow (1.2%) and the Russell 2000 (1.1%) rose the most, followed by the S&P 500 (0.9%), the Global Dow (0.8%), and the Nasdaq (0.4%). Ten-year Treasury yields gained 8.6 basis points to close at 3.48%. Crude oil prices fell earlier in the day but reversed course later to advance 1.2% to \$67.55 per barrel. The dollar dipped lower, while gold prices rose 0.5%.

Wall Street saw another day of positive gains last Tuesday, with several of the benchmark indexes rising for the sixth out of the last seven sessions. The small caps of the Russell 2000 gained 1.9%, to lead the benchmark indexes listed here. The Nasdaq rose 1.6%, followed by the Global Dow (1.5%), the S&P 500 (1.3%), and the Dow (1.0%). The yield on 10-year Treasuries jumped 12.5 basis points to reach 3.60%. Crude oil prices climbed 2.8% to \$69.50 per barrel. The dollar slipped marginally, while gold prices dropped 2.0%.

Last Wednesday saw stocks finish lower following a late-day sell-off. After the Federal Reserve hiked interest rates 25.0 basis points (see below), Fed Chair Jerome Powell suggested that a slowdown in rate hikes was not in the foreseeable future. The Russell 2000 gave back gains from the prior day, falling 2.8% by the end of trading. The Dow, the S&P 500, and the Nasdaq each fell by at least 1.6%. The Global Dow dipped 0.2%. Yields on 10-year Treasuries slid 10.6 basis points to end the day at 3.50%. Crude oil prices climbed back up over the \$70.00 per barrel mark earlier in the day, only to close at about \$69.91 per barrel. The dollar fell for the third consecutive session, while gold prices advanced 1.6%.

Equities ended higher last Thursday, following a volatile session. Despite big swings throughout the day, only the Russell 2000 (-0.4%) ended lower among the benchmark indexes listed here. The Nasdaq rose 1.0%, the S&P 500 advanced 0.3%, the Dow added 0.2%, and the Global Dow inched up 0.2%. Communication services and information technology were the only sectors closing higher, with energy and utilities falling more than 1.0%. Bond prices rose on increased demand, sending yields lower. Ten-year Treasury yields slid 9.4 basis points to close at 3.40%. Crude oil prices ended a short rally, down 2.3% to \$69.24 per barrel. The dollar and gold prices climbed higher.

Key Dates/Data Releases
3/28: International trade in goods
3/30: GDP
3/31: Personal income and outlays

Stocks closed higher last Friday to end a volatile week of trading. Among the indexes listed here, only the Global Dow lost value (-0.93%). The remaining indexes ended the session higher, led by the Russell 2000 (0.9%), followed by the S&P 500 (0.6%), the Dow (0.4%), and the Nasdaq (0.3%). Ten-year Treasury yields finished the day lower for the third straight session, slipping 2.6 basis points to 3.38%. The dollar advanced, while gold prices fell. Crude oil prices fell 1.0% to \$69.20 per barrel.

Stock Market Indexes

Market/Index	2022 Close	Prior Week	As of 3/24	Weekly Change	YTD Change
DJIA	33,147.25	31,861.98	32,237.53	1.18%	-2.74%
Nasdaq	10,466.48	11,630.51	11,823.96	1.66%	12.97%
S&P 500	3,839.50	3,916.64	3,970.99	1.39%	3.42%
Russell 2000	1,761.25	1,725.90	1,734.92	0.52%	-1.49%
Global Dow	3,702.71	3,714.42	3,757.54	1.16%	1.48%
Fed. Funds target rate	4.25%-4.50%	4.50%-4.75%	4.75%-5.00%	25 bps	50 bps
10-year Treasuries	3.87%	3.39%	3.38%	-1 bps	-49 bps
US Dollar-DXY	103.48	103.94	103.11	-0.80%	-0.36%
Crude Oil-CL=F	\$80.41	\$66.29	\$69.20	4.39%	-13.94%
Gold-GC=F	\$1,829.70	\$1,982.00	\$1,979.30	-0.14%	8.18%

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 Federal Open Market Committee increased the target range for the federal funds rate 25.0 basis points to 4.75%-5.00%, the highest range since 2007. The Committee noted that job gains picked up, while inflation remained elevated, and it left little question that it is committed to bringing inflation down to 2.0%. The FOMC specifically referenced the U.S. banking system, indicating that it is "sound and resilient," despite recent bank closures. However, the Committee predicted that "recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation." While anticipating additional policy firming to return inflation to 2.0% over time, the Committee indicated that it would continue to monitor labor market conditions, inflation pressures and inflation expectations, and financial and international developments, and "would be prepared to adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals."
- Sales of existing homes increased in February for the first time in the last 12 months. Existing-home sales rose 14.5% last month, the largest monthly percentage increase since July 2020. Despite the February increase, existing-home sales remained 22.6% below their year-earlier sum. Total housing inventory sat at a 2.6-month supply in February, down from January (2.9%) but up from 1.7 months in February 2022. The median existing-home price was \$363,000 in February, up slightly from \$361,200 in January but down from the February 2022 median price of \$363,700. Sales of existing single-family homes jumped up 15.3% in February from the previous month but were 21.4% under the February 2022 price. Inventory of single-family homes was 2.5 months in February, down from 2.9 months in January and under the February 2022 pace of 2.7 months. The median price for existing single-family homes was \$367,500 in February, up from the January price of \$365,400 but lower than the February 2022 price of \$370,000.
- According to the Census Bureau, sales of new single-family homes in February increased 1.1% above the January rate. Despite the increase last month, new home sales were 19.0% below the February 2022 estimate. Available inventory sat at an 8.2-month supply based on the current sales pace, 0.1 percentage point below the January pace. The median sales price was \$438,200 (\$426,500 in January), while the average sales price was \$498,700 (\$479,800 in January).
- New orders for manufactured durable goods, down three of the last four months, decreased 1.0% in February, according to the Census Bureau. This followed a 5.0% January decrease. Excluding transportation, new orders were virtually unchanged. Excluding defense, new orders decreased 0.5%. Transportation equipment, also down three of the last four months, drove the decrease after falling 2.8%. Shipments, down two consecutive months, fell 0.6% in February. Inventories increased 0.2% in February, increasing for the 24th out of the last 25 months.

- The national average retail price for regular gasoline was \$3.422 per gallon on March 20, \$0.034 per gallon less than the prior week's price, and \$0.817 less than a year ago. Also, as of March 20, the East Coast price decreased \$0.006 to \$3.309 per gallon; the Gulf Coast price declined \$0.065 to \$3.022 per gallon; the Midwest price fell \$0.048 to \$3.262 per gallon; the Rocky Mountain price decreased \$0.099 to \$3.631 per gallon; and the West Coast price decreased \$0.037 to \$4.365 per gallon. Residential heating oil prices averaged \$4.131 per gallon on March 20, \$0.053 below the previous week's price, and \$0.755 per gallon less than a year ago.
- For the week ended March 18, there were 191,000 new claims for unemployment insurance, a decrease of 1,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended March 11 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended March 11 was 1,694,000, an increase of 14,000 from the previous week's level, which was revised down by 4,000. States and territories with the highest insured unemployment rates for the week ended March 4 were New Jersey (2.7%), Rhode Island (2.5%), Massachusetts (2.4%), California (2.3%), Minnesota (2.3%), Alaska (2.0%), Illinois (1.9%), Montana (1.9%), New York (1.9%), and Puerto Rico (1.9%). The largest increases in initial claims for unemployment insurance for the week ended March 11 were in Ohio (+2,401), Indiana (+700), Illinois (+613), Florida (+596), and Oklahoma (+472), while the largest decreases were in New York (-15,436), California (-2,812), Oregon (-1,133), Minnesota (-1,042), and Georgia (-962).

Eye on the Week Ahead

The third and final estimate of fourth-quarter gross domestic product is available this week. The second of three estimates, released last month, showed the economy accelerated at a rate of 2.7%. The February data on personal income and outlays is also out this week. January saw personal income increase 0.6%, consumer spending advance 1.8%, and consumer prices rise 0.6%.

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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