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Market Week: June 5, 2023



The Markets (as of market close June 2, 2023)

Stocks began the week on a downturn, but rallied later to end last week higher. Each of the benchmark indexes listed here posted solid weekly gains, led by the Russell 2000, followed by the Nasdaq, the Dow, the S&P 500, and the Global Dow. Investors began the week concerned that the debt ceiling agreement between President Biden and House Speaker McCarthy would not pass the House and Senate. However, both chambers of Congress passed the debt ceiling bill later in the week, removing the risk of government default. In addition, investors may have been encouraged by a strong jobs report (see below), which is somewhat paradoxical as a strong labor market could support more interest rate hikes by the Federal Reserve. Nevertheless, Wall Street ended the week on a positive note. The Nasdaq rose for the sixth consecutive week, the longest weekly winning streak since January 2020. Despite a surge last Thursday and Friday, crude oil prices ended the week lower. The yield on 10-year Treasuries slipped lower, while the dollar changed little. Gold prices advanced nearly 1.0%.

Stocks were mixed last Tuesday following the Memorial Day holiday. Despite an apparent debt ceiling agreement between President Biden and House Speaker McCarthy, investors remained jittery ahead of a Congressional vote. The Nasdaq (0.3%) was the only benchmark index of those listed here to post a gain. The S&P 500 ended the session flat, the Russell 2000 and the Global Dow fell 0.3%, and the Dow dipped 0.2%. Ten-year Treasury yields dropped 11.0 basis points to close at 3.70%. The dollar dipped lower, while gold prices rose 0.8%. Crude oil prices declined 4.0% to \$69.75 per barrel, impacted by debt ceiling worries and reported tensions between Saudi Arabia and Russia ahead of an important OPEC+ meeting.

Wall Street endured another sour day last Wednesday as investors remained concerned about the passage of the debt ceiling bill. In addition, the latest JOLTS report (see below) showed the number of job openings increased, raising the prospects of another interest rate hike by the Federal Reserve in June. The Global Dow fell 1.3%, likely impacted by China's lackluster industrial production report. The Russell 2000 dipped 1.0%, the Nasdaq and the S&P 500 lost 0.6%, while the Dow slipped 0.4%. Bond prices jumped higher, pulling yields lower. Ten-year Treasury yields lost 6.3 basis points to close at 3.63%. Crude oil prices fell 2.5% to \$67.71 per gallon. The dollar and gold prices advanced.

Equities advanced last Thursday as stocks kicked off June on an upswing, with each of the benchmark indexes listed here posting notable gains. No doubt investors were encouraged by the House's passage of the debt ceiling bill. The Global Dow (1.5%) led the way, followed by the Nasdaq (1.3%), the Russell 2000 (1.1%), the S&P 500 (1.00%), and the Dow (0.5%). Ten-year Treasury yields continued to trend lower, falling 2.9 basis points to settle at 3.60%. Crude oil prices rebounded, climbing 3.1% to reach \$70.18 per barrel. The dollar slid lower, while gold prices advanced 0.7%.

Stocks pushed higher last Friday on positive jobs data (see below) and the passage of the debt ceiling bill by Congress. The Russell 2000 jumped 3.6%, followed by the Dow (2.1%), which enjoyed its best day of the year. The Global Dow rose 1.7%, the S&P 500 advanced 1.5%, and the Nasdaq increased 1.1%. Ten-year Treasury yields closed at 3.69%. Crude oil prices increased 2.7% to \$71.97 per barrel, the dollar edged higher, while gold prices declined.

Key Dates/Data Releases

6/5: S&P Services PMI

6/7: International trade in goods and services

Stock Market Indexes

Market/Index	2022 Close	Prior Week	As of 6/2	Weekly Change	YTD Change
DJIA	33,147.25	33,093.34	33,762.76	2.02%	1.86%
Nasdaq	10,466.48	12,975.69	13,240.77	2.04%	26.51%
S&P 500	3,839.50	4,205.45	4,282.37	1.83%	11.53%
Russell 2000	1,761.25	1,773.02	1,830.91	3.27%	3.96%
Global Dow	3,702.71	3,894.49	3,953.32	1.51%	6.77%
Fed. Funds target rate	4.25%-4.50%	5.00%-5.25%	5.00%-5.25%	0 bps	75 bps
10-year Treasuries	3.87%	3.81%	3.69%	-12 bps	-18 bps
US Dollar-DXY	103.48	104.21	104.05	-0.15%	0.55%
Crude Oil-CL=F	\$80.41	\$72.78	\$71.92	-1.18%	-10.56%
Gold-GC=F	\$1,829.70	\$1,947.00	\$1,964.90	0.92%	7.39%

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 labor sector remained strong in May. According to the latest data from the Bureau of Labor Statistics, there were 339,000 new jobs added in May, in line with the average monthly gain of 341,000 over the prior 12 months. In May, job gains occurred in professional and business services, government, health care, construction, transportation and warehousing, and social assistance. Despite the new hires, May saw the unemployment rate rise by 0.3 percentage point to 3.7%, and the number of unemployed persons increase by 440,000 to 6.1 million. The unemployment rate has ranged from 3.4% to 3.7% since March 2022. The labor force participation rate, at 62.6% has not changed over the past three months. The employment-population ratio dipped 0.1 percentage point to 60.3%. In May, average hourly earnings rose by \$0.11, or 0.3%, to \$33.44. Over the past 12 months, average hourly earnings have increased by 4.3%. The average workweek edged down by 0.1 hour to 34.3 hours in May.
- The number of job openings edged up 358,000 to 10.1 million in April. Job openings increased in retail trade, health care and social assistance, and transportation, warehousing, and utilities. In April, the number of hires changed little at 6.1 million. Total separations, which include quits, layoffs, discharges, and other separations, declined 286,000 to 5.7 million.
- Manufacturing slowed in May after expanding in April. The S&P Global US Manufacturing Purchasing Managers' Index™ posted 48.4 in May, down from 50.2 in April. A reading under 50 indicates contraction. A reduction in new orders and muted overall demand slowed manufacturing. Despite the regression in demand, manufacturers increased output and employment, partly to fulfill existing backlogs of work, and to take advantage of a reduction in input costs to manufacturers, which fell for the first time since May 2020.
- The national average retail price for regular gasoline was \$3.571 per gallon on May 29, \$0.037 per gallon higher than the prior week's price but \$1.053 less than a year ago. Also, as of May 29, the East Coast price increased \$0.046 to \$3.427 per gallon; the Gulf Coast price rose \$0.081 to \$3.121 per gallon; the Midwest price increased \$0.015 to \$3.484 per gallon; the Rocky Mountain price advanced \$0.043 to \$3.622 per gallon; and the West Coast price climbed \$0.020 to \$4.534 per gallon.
- For the week ended May 27, there were 232,000 new claims for unemployment insurance, an increase of 2,000 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 May 20 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended May 20 was 1,795,000, an increase of 6,000 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 May 13 were California (2.2%), New Jersey (2.1%), Massachusetts (2.0%), New York (1.6%), Oregon (1.6%), Puerto Rico (1.6%), Alaska (1.5%), Rhode Island (1.5%), Washington (1.5%), and Illinois (1.4%). The largest increases in initial claims for unemployment insurance for the week ended May 20 were in Texas (+2,808), Connecticut (+2,091), Iowa (+621), Pennsylvania (+540), and Missouri (+324), while the largest decreases were in Massachusetts (-2,127), Michigan (-1,024), Illinois (-1,000), New York (-625), and Oregon (-565).



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Eye on the Week Ahead

There is very little economic data available during the first full week of June. The services purchasing managers' index for May is available. April saw growth in the services sector, with new orders posting their best rate of growth since May 2022. Also out this week is the report on international trade in goods and services for April. March saw the trade deficit narrow by about \$64.0 billion, as both imports and exports edged higher.

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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