



**The Weekly Market Update – 4/24/23: Mixed Economic Signals Keep Markets on Edge**

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	4,133.52	-0.10%	0.59%	7.66%	-8.76%	4,796.56	16.0%
Dow Jones Industrial Average	33,808.96	-0.23%	1.61%	2.00%	-2.51%	36,799.65	8.8%
NASDAQ Composite	12,072.46	-0.42%	-1.22%	15.34%	-15.11%	16,057.44	33.0%
Russell 2000	1,791.51	0.58%	-0.61%	1.72%	-13.46%	2,442.74	36.4%
MSCI EAFE (USD)	2,146.26	0.03%	2.56%	10.41%	-1.62%	2,398.71	11.8%
MSCI Emerging Markets (USD)	980.74	-1.97%	-0.96%	2.55%	-14.10%	1,444.93	47.3%
Bloomberg Commodity Index	105.58	-2.08%	0.06%	-6.41%	-15.14%	237.95	125.4%
Barclays U.S. Aggregate Bond	90.77	-0.23%	-0.35%	2.12%	-7.21%	112.07	23.5%

Source: FactSet

**U.S. economic indicators weakened in March and April, but likely not enough to change expectations for another Federal Reserve Bank (Fed) interest rate hike in early May.** Strength in U.S. consumer data (job growth as reported by the Bureau of Labor Statistics, BLS; and consumption expenditures from the Bureau of Economic Analysis, BEA) has driven upward revisions to first quarter 2023 (1Q23) economic growth estimates. The FactSet consensus (from Wall Street economists) estimate for U.S. gross domestic product, or GDP (the value of goods and services produced, reported by the BEA) is +1.9%, up from an estimate of -0.2% as recently as 12/31/22. But both consumer spending and jobs data peaked in January and have slowed in February and March, indicating that 2Q23 may not be nearly as strong as 1Q23. The FactSet consensus 2Q23 GDP estimate was +0.2% as of 4/21/23 (admittedly that estimate has also trended higher). On 4/20/23, the Department of Labor reported that new claims for unemployment benefits increased by 245 thousand (K) for the week. The weekly average of new claims averaged 240K over the prior four weeks after averaging 219K and 201K in February and January, respectively. In our view, this indicates that recent jobs gains are likely to continue to slow. According to the BLS, the U.S. created an average of 345K monthly nonfarm payrolls in the first quarter, but just 236K in March to end the quarter. On 4/20/23, the Conference Board reported that its Leading Economic Index (a widely followed predictor of U.S. economic activity) declined -1.2% in March, marking the sixth consecutive monthly decline and pointing to “worsening economic conditions ahead.” Also last week, the National Association of Realtors reported that March 2023 sales of existing homes declined -2.4% from February, and -22% from March 2022. This reflects higher mortgage rates over the past year, but also some potential consumer hesitation. Despite weaker data in March, the U.S. first quarter economy overall proved to be resilient, and we expect the Fed to raise its overnight bank lending fed funds interest rate target by 0.25% when it next meets on 5/3/23.

**Recent comments from Federal Reserve officials downplay recession risk and indicate that inflation remains persistent.** President of the St. Louis Federal Reserve Bank James Bullard said in a speech last week that ongoing labor market strength supports continued consumption gains, pushing back on near-term recession fears. Bullard also indicated that while the Fed may be close to the end of its interest rate hiking path, an additional 0.50% of fed funds increases are possible. Also last week, Atlanta Federal Reserve President Raphael Bostic said that recession is not his baseline outlook, and a 0.25% increase in the fed funds target is likely before a pause in the hiking cycle. The Fed’s current fed funds interest rate target range is 4.75% to 5.00%. The March consumer price index, CPI (the BLS’ measure of consumer inflation) was 5.0% year-over-year. While importantly below the peak level of 9.1% in June 2022, CPI remains significantly above the Fed’s 2.0% policy goal.

**First quarter 2023 earnings season moves to full swing this week and the 1Q23 initial GDP report is due Thursday.** As of 4/21/23, 18% of S&P 500 companies had reported 1Q23 financial results, but by this Friday (with 180 companies scheduled to report this week) more than 53% of the reports will be in. So far, both revenue (+7%) and earnings (EPS, +1%) have exceeded expectations, although EPS are still expected to decrease -6% as more companies report. The BEA will report its first estimate of 1Q23 U.S. GDP on 4/27/23. The FactSet consensus is for 1.9% growth, with key components of consumer spending, business investment, housing investment, and government outlays. Q422 U.S. GDP grew 2.6%.

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