Market Update—Week of March 27, 2023

Presented by Michael Alexander

Quick Hits

1. **Report releases:** The Federal Open Market Committee (FOMC) raised the federal funds rate 0.25 percent
2. **Financial market data:** Investors continued to flock to U.S. Treasuries
3. **Looking ahead:** Consumer confidence is expected to dip amid banking concerns

Report Releases: March 20–March 24, 2023

Existing Home Sales, February (Tuesday)

Existing home sales surged 14.5 percent in February, breaking a yearlong streak of declining monthly sales. The rise in sales was supported by declining mortgage rates and modestly lower home prices.

- **Expected/prior month existing home sales monthly change:** +5%/–0.7%
- **Actual existing home sales monthly change:** +14.5%

FOMC Rate Decision (Wednesday)

The FOMC hiked the federal funds rate 25 basis points (bps), which was in line with investor and economist expectations. Federal Reserve (Fed) Chair Jerome Powell indicated in his post-meeting news conference that the central bank still has confidence in the U.S. banking system despite recent high-profile bank collapses.

Initial Jobless Claims (Thursday)

The weekly initial jobless claims report showed 191,000 claims were submitted. This was down 1,000 claims from the prior week and still below the 200,000 mark, indicating continued tightness in the labor market.

Durable Goods Orders, February (Thursday)

Headline and core durable goods orders came in below expectations in February, signaling slowing business investment during the month.

- **Expected/prior durable goods orders monthly change:** +0.2%/–5%
- **Actual durable goods orders change:** –1%
- **Expected/prior core durable goods orders monthly change:** +0.2%/+0.4%
- **Actual core durable goods orders change:** 0%

The Takeaway

- The Fed hiked rates again but expectations have shifted. This is despite the Fed’s call for rates to remain at their current level until inflation can approach its target.
- Investors speculated that this could be the last hike of the cycle. Meanwhile, Powell said additional “firming” of policy could be warranted.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.41%	0.16%	3.86%	–11.08%
Nasdaq Composite	1.68%	3.30%	13.22%	–15.80%
DJIA	1.18%	–1.10%	–2.21%	–5.53%
MSCI EAFE	1.59%	–1.48%	4.28%	–3.99%
MSCI Emerging Markets	2.23%	1.06%	1.97%	–11.05%
Russell 2000	0.53%	–8.41%	–1.18%	–15.26%

Source: Bloomberg, as of March 24, 2023

Equities rose during a volatile week. Mixed messaging on the banking sector from Powell and Treasury Secretary Janet Yellen resulted in midweek volatility. International stocks fared well as the dollar fell. The European Central Bank raised rates 50 bps on March 16, whereas the Fed chose a 25 bps hike. The dollar index was down 0.6 percent. Mega-cap tech names, such as Apple, Tesla, and Nvidia, rose more than 3 percent. Gold, which increased 0.5 percent, has climbed amid banking concerns.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	3.01%	3.44%	–3.37%
U.S. Treasury	3.46%	3.57%	–3.18%
U.S. Mortgages	2.85%	3.43%	–3.09%
Municipal Bond	1.96%	2.52%	–0.04%

Source: Bloomberg, as of March 24, 2023

U.S. Treasury curve moves were more muted than in the previous two weeks as the Fed’s policy change stole the spotlight from banking system concerns. The 2-year fell 7 bps to 3.78 percent, the 5-year dropped 6 bps to 3.41 percent, the 10-year dipped 2 bps to 3.38 percent, and the 30-year rose 5 bps to 3.65 percent. The Fed offered few surprises to change the path the yield curve has taken in recent weeks. The back end of the curve rose slightly as investor expectations of longer duration growth increased in the face of a potential pause from the central bank.

The Takeaway

- Stocks rose slightly as the Fed confirmed a more cautious path forward.
- Growth stocks and Treasuries continued to be safe havens for investors.

Looking Ahead

This week, we expect to see several data points on the health of the consumer.

- Tuesday’s reports will contain the **Conference Board Consumer Confidence Index** for March and **retail inventories** for February. Economist forecasts call for slightly lower consumer confidence in March, partially due to concerns about the health of the banking system. Retailers will continue to manage through their buildup from the end of 2021.
- Thursday will see the release of **core personal consumption expenditures**, the Fed’s preferred inflation gauge.
- Finally, **personal income and personal spending reports** for February will be published on Friday. They are expected to show a solid 0.3 percent increase for income and spending in February after better-than-expected spending growth in January.

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