

Market Update—Week of April 10, 2023

Presented by Michael Alexander

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Quick Hits

1. **Report releases:** U.S. job growth in March slightly surpassed expectations
2. **Financial market data:** Value stocks led the way as energy rallied
3. **Looking ahead:** The latest inflation report, the Consumer Price Index, is expected on Wednesday

Report Releases: April 3–6, 2023

ISM Manufacturing Index, March (Monday)

Manufacturer confidence fell more than expected in March, driven in part by declines in new orders and supply deliveries. This result left the index in contractionary territory, signaling a potential slowdown ahead for the manufacturing industry.

- **Expected/prior ISM Manufacturing index:** 47.7/47.5
- **Actual ISM Manufacturing index:** 46.3

International Trade Report, February (Wednesday)

The trade deficit widened slightly more than expected in February. Imports fell 1.5 percent and exports dropped 2.7 percent. Although the trade gap was the largest in four months, it remains well above record levels from early 2022.

- **Expected/prior trade deficit:** –\$68.8 billion/–\$68.7 billion
- **Actual trade deficit:** –\$70.5 billion

ISM Services Index, March (Wednesday)

Service sector confidence fell more than expected in March; however, the index remains in expansionary territory. The decline in confidence was driven primarily by a drop in demand—new orders and business activity slowed in March.

Employment Report, March (Friday)

The change in nonfarm payrolls indicated an increase of 236,000 jobs versus the expectation for 224,000. Private payrolls, which exclude the government sector, rose 189,000 versus 216,000 expected. The unemployment rate hit 3.5 percent.

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	-0.06%	-0.06%	7.43%	-7.19%
Nasdaq Composite	-1.08%	-1.08%	15.79%	-12.23%
DJIA	0.69%	0.69%	1.62%	-1.08%
MSCI EAFE	0.47%	0.47%	8.97%	1.60%
MSCI Emerging Markets	-0.27%	-0.27%	3.68%	-9.73%
Russell 2000	-2.65%	-2.65%	0.02%	-11.37%

Source: Bloomberg, as of April 6, 2023

Communication services, health care, utilities, and energy were among the top performing sectors. West Texas Intermediate crude oil rallied 6.6 percent on the back of the announcement that OPEC+ cut more than 1 million barrels per day. Tesla fell more than 10 percent as sales came in below expectations. Industrials, consumer discretionary, materials, and technology fell amid signs of potentially slowing economic data.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.49%	3.47%	-2.80%
U.S. Treasury	0.56%	3.58%	-2.51%
U.S. Mortgages	0.43%	2.97%	-2.94%
Municipal Bond	0.91%	3.72%	1.89%

Source: Bloomberg, as of April 7, 2023

The belly, or middle of the curve, between 5- and 10-year Treasury yields led the decline. The better-than-expected employment report saw the short end of the yield curve reverse some of its drop to start the week. The 2-year fell 7 bps to 3.99 percent, the 5-year declined 10 bps to 3.52 percent, the 10-year dropped 8 bps to 3.41 percent, and the 30-year dipped 7 bps to 3.62 percent. Consumer price inflation data, set to be released on Wednesday, will confirm or reverse the rebound in 2-year yields.

The Takeaway

- Weaker economic data has led businesses and consumers to rein in spending.
- Shorter-term Treasuries reversed some of their drop in yields after the release of the March employment report.

Looking Ahead

Investors will keep an eye on Wednesday's release of the Consumer Price Index report for clues ahead of the next Fed meeting in early May.

- The week kicks off Wednesday with the **Consumer Price Index** report for March. Headline and core retail sales are set to decline, which would mark two months in a row with declining sales.
- Thursday will see the release of the **Producer Price Index** report for March. Headline and core producer inflation is set to slow, with economists calling for no change in headline prices after a modest decline in February.
- Finally, the **retail sales report** and **University of Michigan consumer sentiment survey** will be published on Friday. Headline and core retail sales are set to decline in March, which would result in two consecutive months with declining sales. The first estimate for consumer sentiment in April is expected to show a modest uptick in confidence, which would be a good sign for future consumer spending growth.

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