



WEEK OF AUGUST 7, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Slightly slower-than-expected job growth was partially offset by wage growth.
2. **Financial market data:** Slowing iPhone sales weighed on Apple post earnings.
3. **Looking ahead:** There are numerous inflation reports due out.



## Report Releases: July 31–August 4, 2023

### ISM Manufacturing July (Tuesday)

Manufacturer confidence improved less than expected in July, leaving the index in contractionary territory for the ninth consecutive month.

- Expected/prior ISM Manufacturing index: 46.9/46.0
- Actual ISM Manufacturing index: 46.4



### Job Opening and Labor Turnover Survey (JOLTS) June (Tuesday)

The JOLTS report for June showed 9.582 million openings versus a mean expectation of 9.597 million openings. As expected, this figure set a new low for job openings after peaking at 12.027 million in March of 2022. Job openings fell just 34,000 month-over-month, and the pace is worth watching.



### ISM Services July (Thursday)

Service sector confidence fell more than expected in July, in part due to a slowdown in service sector hiring.

- Expected/Prior ISM Services index: 53.1/53.9
- Actual ISM Services index: 52.7



### Employment Report July (Friday)

The July job report showed continued hiring growth, with 187,000 jobs added. This was up slightly from the 185,000 jobs were added in June and helped bring the unemployment rate down to 3.5 percent.

- Expected/prior change in nonfarm payrolls: +200,000/+185,000
- Actual change in nonfarm payrolls: +187,000



## >> The Takeaway

- The difference in strength between the manufacturing and service sector remains in place.
- Despite lower-than-expected July job growth, both openings and wages remained strong.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.26%	-2.40%	17.75%	9.88%
Nasdaq Composite	-2.84%	-3.04%	33.53%	10.85%
DJIA	-1.11%	-1.39%	7.04%	9.21%
MSCI EAFE	-2.38%	-2.51%	12.38%	14.60%
MSCI Emerging Markets	-2.37%	-2.72%	8.39%	4.40%
Russell 2000	-1.19%	-2.26%	12.10%	3.44%

Source: Bloomberg, as of August 4, 2023

The S&P 500 broke its consecutive weekly gain streak at three. Major earnings reports were mixed last week, with Amazon beating both sales and earnings expectations, driven by 12 percent sales growth at the company's cloud platform (AWS). Apple beat on both metrics, primarily driven by its services segment as iPhone revenue came in below both expectations and 2022 levels. Technology and emerging markets both pulled back modestly following their recent rally. The top-performing sectors last week were energy, consumer discretionary, and financials.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.72%	1.29%	-3.05%
U.S. Treasury	-0.52%	0.70%	-3.64%
U.S. Mortgages	-0.86%	0.92%	-4.12%
Municipal Bond	-1.25%	1.79%	-0.22%

Source: Bloomberg, as of August 4, 2023

The 10-year U.S. Treasury yield rose 5 basis points (bps) last week. The big news was the Fitch downgrading of U.S. long-term credit to AA+ from AAA, citing the rising debt to GDP as the trajectory was a major concern.

### >> The Takeaway

- Equity investors took a breather from the recent risk-on rally.
- Fitch downgraded the country's long-term U.S. credit rating on rising debt levels.



## Looking Ahead

This week's reports will primarily focus on inflation.

- The week will kick off on Monday with the release of the **consumer credit report** for June. Expectations are for \$14 billion in consumer credit for June, despite a significantly lower-than-expected value in May at just \$7.24 billion (versus expectations of \$20 billion).
- Thursday will see the release of **Consumer Price Index** data for July. Consumer inflation is set to rise 0.2 percent during the month, with year-over-year price growth expected to rise modestly from 3 percent in June to 3.3 percent in July.
- Finally, Friday will wrap with both **Producer Price Index** data for July and the **preliminary University of Michigan consumer sentiment survey** for August. Producer inflation is expected to increase 0.2 percent during the month, with year-over-year producer prices expected to increase 0.7 percent in July. The first estimate for consumer sentiment in August is expected to show a modest decline for the index. This follows a larger-than-expected increase in July that brought the index to a nearly two-year high.







Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance

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Authored by the Investment Research team at Commonwealth Financial Network®

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