



WEEK OF JULY 24, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Retail sales continued to rise for the third straight month in June
2. **Financial market data:** Disappointments from Tesla and Netflix led their sectors lower
3. **Looking ahead:** The Federal Reserve (Fed) is widely expected to hike rates again on Wednesday

## Report Releases: July 17–21, 2023

### Retail Sales June (Tuesday)

Retail sales grew for the third consecutive month in June, but the pace of sales growth slowed.

- Expected/prior month retail sales monthly change: +0.5%/+0.5%
- Actual retail sales monthly change: +0.2%
- Expected/prior month core retail sales monthly change: +0.3%/+0.5%
- Actual core retail sales monthly change: +0.3%



### Industrial Production June (Tuesday)

Industrial production fell modestly for the second consecutive month in June, partially driven by a slowdown in manufacturing production.

- Expected/prior month production change: +0.0%/–0.5%
- Actual production change: –0.5%



### National Association of Home Builders Housing Market Index July (Tuesday)

Home builder sentiment continued to improve in July, marking seven consecutive months with higher home builder confidence.

- Expected/prior month sentiment: 56/55
- Actual sentiment: 56



### Existing Home Sales June (Thursday)

Existing home sales fell more than expected in June, marking two consecutive months with declining home sales. A lack of supply, high prices, and still-high mortgage rates have all served as a headwind for sales growth since the start of 2022.

- Expected/prior month existing home sales monthly change: –2.3%/+0.2%
- Actual existing home sales monthly change: –3.3%



## >> The Takeaway

- Falling industrial production continues to hint at manufacturing segment weakness
- Consumers are spending, but elevated prices and rates have led to slowing existing home sales

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.70%	2.00%	19.24%	16.48%
Nasdaq Composite	-0.57%	1.79%	34.69%	19.64%
DJIA	2.13%	2.48%	7.54%	12.84%
MSCI EAFE	-0.57%	2.14%	14.06%	18.00%
MSCI Emerging Markets	-1.31%	2.91%	7.94%	5.40%
Russell 2000	1.52%	3.83%	12.23%	10.18%

Source: Bloomberg, as of July 21, 2023

Technology stocks took a breather from their recent run, with the Nasdaq Composite falling 0.57 percent last week. Energy, health care, and financials fueled the Dow Jones Industrial Average. Disappointing earnings from Tesla (TSLA) and Netflix (NFLX) weighed on the consumer discretionary and communication service sectors. Strength in the capital markets and deposit growth fueled Morgan Stanley (MS) and Bank of America (BAC) performance, with both rising more than 9 percent.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.21%	2.30%	-2.48%
U.S. Treasury	0.12%	1.70%	-3.27%
U.S. Mortgages	0.17%	2.04%	-3.19%
Municipal Bond	0.68%	3.37%	2.15%

Source: Bloomberg, as of July 21, 2023

The yield curve continued its inversion last week as the front end of the curve lifted. The 3-month and 2-year U.S. Treasury yields rose 3 and 8 basis points (bps), respectively, last week. The 10-year and 30-year Treasuries were mostly flat, falling 1 and 2 bps, respectively. Treasuries were a bit muted ahead of this week's Federal Open Market Committee (FOMC) meeting.

### >> The Takeaway

- The equity rally shifted to more value-oriented equities as Tesla and Netflix disappointed
- Treasuries were relatively muted ahead of the July Fed meeting

## Looking Ahead

All eyes will be on Wednesday's FOMC meeting and the committee is widely expected to hike once again in July. Investors will look to interpret future policy from the release of the post-meeting minutes and the upcoming press conference.

- The week will kick off on Tuesday with the release of the **Conference Board Consumer Confidence Index report** for July. Consumer confidence is set to improve, with forecasts calling for the index to hit a new high for 2023.
- The biggest event of the week will occur on Wednesday with the **FOMC rate decision**. The Fed is expected to hike the upper limit of the federal funds rate by 25 bps, from 5.25 percent to 5.50 percent, at the conclusion of its July meeting.
- Thursday will see the first release of **second-quarter U.S. gross domestic product (GDP) data**. The first look at quarterly GDP growth is expected to show an annualized 1.8 percent increase in economic activity during the period, supported by a rise in personal consumption expenditures.
- Finally, Friday will wrap with the June **personal income and personal spending reports**. Personal income and spending are both set to increase in June, with spending growth expected to accelerate during the month.





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

Nicole Ellis

Pickler Wealth Advisors  
1135 Halle Park Circle | Collierville, TN 38017

of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

Authored by the Investment Research team at Commonwealth Financial Network®

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