

FOR THE WEEK OF SEPTEMBER 15TH, 2023

Market focus points last week included some stimulative policy moves in China, risk of waning disinflation momentum, U.S. auto industry strikes, and some final key economic data points heading into this week's closely watched FOMC meeting. Equity and bond markets responded in line with a higher for longer fashion, as U.S. equity markets closed down slightly while interest rates closed the week right in line with late August highs at levels not seen since 2007.

Market Anecdotes

- Inflation data last week including CPI, PPI, and fundamental economic activity added anxiety to markets along the lines of the second wave inflation narrative which argues we should not be expecting a clean straight line to 2% inflation and the post pandemic world may just be different.
- Last week's economic data isn't expected to influence the FOMC market base case of no change in Fed Funds rate this week but a possibility of one more move higher before year end.
- The NY Fed Survey of Market Participants showed only a 5% chance of peak Fed funds surpassing 6%, relatively in line with futures market pricing.
- The ECB delivered a dovish 25bps hike last week where internal projections see inflation of 5.6% in 2023 falling to 3.2% and 2.1% in '24 and '25 respectively - a public forecast followed by Lagarde presser stating these high levels maintained long enough, should drive inflation down.
- Eaton Vance published LCD data illustrating S&P's default forecasts for the coming six months with the current rate of 1.7% either rising to 4.5% (pessimistic), falling to 1% (optimistic), or leveling off to 2.5% (base case). Distressed loan data is also signaling some turbulence ahead.
- A research note from Goldman last week on the U.S. equity market concentration issue painted a stark contrast between U.S. and non-U.S. markets while an unrelated note from J.P. Morgan illustrated the cost of higher rates hitting smaller companies disproportionately harder as well.
- The UAW implemented targeted strikes at the big three automakers last week in a widely expected move given how far apart both sides are at the negotiating table.
- The PBoC cut banking system required reserves and injected \$25b into the system last week, raising hopes for recovery in China and renewed focus on stimulus measures.

Economic Release Highlights

- August headline and core CPI registered 3.7%/4.3% YoY and 0.6%/0.3% MoM.
- August headline and core PPI registered 1.63%/2.16% YoY and 0.74%/0.19% MoM.
- Retail Sales for August of 0.56% (+2.5% YoY) came in higher than the 0.1% expected and above the prior two months' pace, but gasoline sales seem to have played a large part in the report.
- Industrial Production in August topped forecasts, growing 0.38%, down slightly from the prior month but above the long-term average of 0.26%.
- UofM Consumer Sentiment fell from 69.5 to 67.7 (-2.6%) in September. It is up 15.53% from this time in 2022 but remains well below its historical average of 86.
- The NFIB Small Business Optimism Index for August declined 0.6 to 91.3, slightly below consensus call of 91.5.



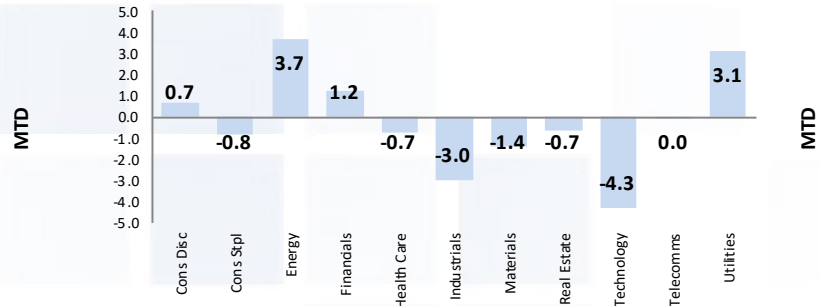
THE NUMBERS

Equity	Level	1 Wk	1 Mo	3 Mo	YTD	1 Yr	Commodities	Current	6/30/23	3/31/23	12/31/22
Dow Jones	34618	0.14	(0.58)	1.15	6.14	14.24	Oil (WTI)	87.30	70.66	75.68	80.16
NASDAQ	13708	(0.37)	0.67	(0.35)	31.78	19.72	Gold	1927.80	1927.80	1979.70	1813.80
S&P 500	4450	(0.12)	0.46	0.94	17.30	16.02					
Russell 1000 Growth		(0.69)	1.11	1.00	29.66	21.85	Currencies	Current	6/30/23	3/31/23	12/31/22
Russell 1000 Value		0.47	(0.17)	0.96	5.44	8.50	USD/Euro (\$/€)	1.07	1.09	1.09	1.07
Russell 2000		(0.20)	(2.41)	(1.87)	6.01	2.80	USD/GBP (\$/£)	1.25	1.25	1.24	1.21
Russell 3000		(0.15)	0.35	0.83	16.50	14.52	Yen/USD (¥/\$)	147.70	147.70	132.75	131.81
MSCI EAFE		1.67	0.38	(1.96)	11.38	20.66					
MSCI Emg Mkts		1.27	0.57	(2.57)	5.53	5.97	Treasury Rates	Current	6/30/23	3/31/23	12/31/22
Fixed Income	Δ Yield	1 Wk	1 Mo	3 Mo	YTD	1 Yr	3 Month	5.56	5.43	4.85	4.42
US Aggregate	3.03	0.01	0.07	0.28	0.64	0.93	2 Year	5.02	4.87	4.06	4.41
High Yield	6.59	(0.01)	0.01	0.19	0.52	1.15	5 Year	4.45	4.13	3.60	3.99
Municipal	2.29	0.01	0.10	0.21	0.42	0.47	10 Year	4.33	3.81	3.48	3.88
							30 Year	4.42	3.85	3.67	3.97

Style Returns

	V	B	G
L	-0.42	-1.20	-1.89
M	-1.79	-1.96	-2.37
S	-2.09	-2.70	-3.34

S&P 500 Sector Returns



	V	B	G
L	5.44	17.16	29.66
M	4.04	7.26	12.77
S	2.75	6.01	8.91



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