

Weekly Market Recap

The week in review

- Mfg./Services PMI: 48.5/55.1
- New home sales: 4.1% m/m
- Headline/Core PCE: 4.4%/4.7% y/y

The week ahead

- JOLTS
- Nonfarm payrolls

Thought of the week

10-year Treasury yields have climbed by roughly 38bps to 3.80% in May, their highest level since SVB collapsed, reflecting the market's improved optimism for economic growth and shifting expectations for monetary policy.

Relative strength in recent data and corporate earnings has painted a brighter picture of economic activity. This week in particular, consumer spending and initial jobless claims highlighted continued economic resilience. Consumer spending came in stronger than expected, rising 0.8% m/m, while initial claims came in below expectations at 229K along with a meaningful downward revision to the prior week's data. Moreover, recent stabilization in regional bank deposit outflows has helped calm worries of a broader fallout in the banking sector. As such, markets appear to be taking the Fed's guidance of no rate cuts in 2023 more seriously. The futures market had expected three full cuts in 2023 following May's FOMC meeting, but now only expect one full cut by year-end. Furthermore, a hike in June seemed improbable earlier this month, but markets are now roughly assigning a 69% probability of another hike at the next meeting.

However, this resilience could be short-lived as the economy and inflation resume a slowdown, so yields may struggle to move higher from current levels. Looking to 2024 and beyond, both markets and the Fed expect rates to come down meaningfully. As shown in this week's chart, when the Fed has cut rates during previous cycles, bonds have significantly outperformed cash. Investors still holding excess cash might be well served to take advantage of this opportunity to add duration to portfolios.

Please see important disclosures on next page.

Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4205	0.35	2.60	10.29	5.45	47.42
Dow Jones 30	33093	-0.97	-0.22	0.70	3.59	40.68
Russell 2000	4406	-0.02	-1.44	1.26	-2.05	32.15
Russell 1000 Growth	1723	1.74	6.02	21.25	12.99	47.04
Russell 1000 Value	909	-1.24	-1.70	-0.71	-2.93	42.41
MSCI EAFE	2081	-2.27	0.53	9.20	6.99	34.02
MSCI EM	973	-0.41	-1.34	2.62	-1.68	14.15
NASDAQ	12976	2.52	6.31	24.43	11.52	42.20

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.79	-0.67	-1.71	1.20	-3.76	-11.36
U.S. Corporates	5.55	-0.35	-1.82	1.62	-3.07	-9.02
Municipals (10yr)	3.24	-0.71	-1.69	1.02	2.32	-1.03
High Yield	8.93	-0.36	-0.22	3.34	0.44	9.53

Key Rates	Levels (%)					
	5/26/23	5/19/23	3/31/23	12/30/22	5/26/22	5/26/20
2-yr U.S. Treasuries	4.54	4.28	4.06	4.41	2.46	0.18
10-yr U.S. Treasuries	3.80	3.70	3.48	3.88	2.75	0.69
30-yr U.S. Treasuries	3.96	3.95	3.67	3.97	2.99	1.43
10-yr German Bund	2.52	2.47	2.33	2.53	0.97	-0.43
3-mo. LIBOR	5.46	5.39	5.19	4.77	1.57	0.37
3-mo. EURIBOR	3.46	3.42	3.04	2.13	-0.35	-0.27
6-mo. CD rate	1.97	1.95	1.88	1.80	0.42	0.40
30-yr fixed mortgage	6.69	6.69	6.40	6.58	5.46	3.42
Prime Rate	8.25	8.25	8.00	7.50	4.00	3.25

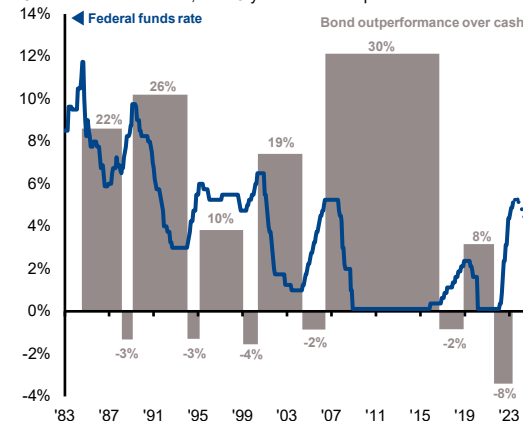
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
18.16	3.82	1.59	35168	
16.55	4.17	2.08	10622	
20.14	1.88	1.43	2242	
24.74	9.15	0.91	20602	
13.88	2.27	2.31	17976	
12.91	1.67	3.11	15230	
12.05	1.55	3.33	6447	
26.72	4.95	0.81	20966	

Currencies	Levels		
	5/26/23	12/30/22	5/26/22
\$ per €	1.07	1.07	1.07
\$ per £	1.23	1.20	1.26
¥ per \$	140.50	131.95	127.32

Commod.	Levels		
	5/26/23	12/30/22	5/26/22
Oil (WTI)	71.83	80.16	116.19
Gasoline	3.53	3.09	4.59
Natural Gas	2.31	3.52	9.19
Gold	1948	1814	1848
Silver	23.15	23.95	21.89
Copper	8082	8387	9359
Corn	6.10	6.14	7.50
BBG Idx	222.48	245.89	285.21

Chart of the Week

Bond vs. cash returns during previous rate hiking cycles
Cumulative total returns, 1- to 5-year bonds compared to cash



Style Returns

	V	B	G
L	-1.2	0.3	1.7
M	-1.4	-1.0	-0.5
S	0.1	0.0	-0.1
L	-0.7	10.3	21.3
M	-2.1	1.5	8.3
S	-3.6	1.3	6.1

S&P 500 Sector Returns

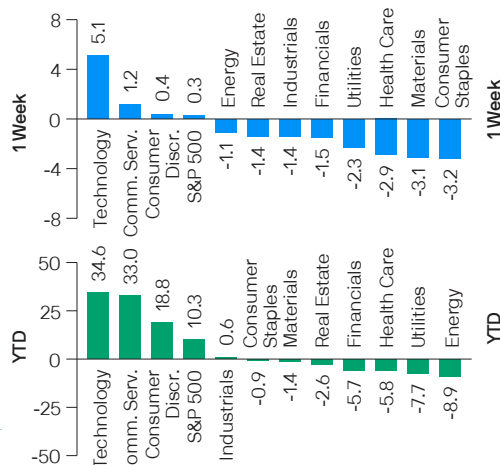




Chart of the Week: Source: Bloomberg, ICE Data Indices, J.P. Morgan Asset Management. 1-5 Year Bonds: Bloomberg 1-5 Yr. Gov/Credit Index, Cash: ICE BofA 3-month Treasury Bill Index. The dashed line shows market expectations for the future federal funds rate based on OIS market pricing.

Thought of the week: Source: Bloomberg, ICE Data Indices, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period.

Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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