

Weekly Market Recap

The week in review

- Headline/Core CPI: +0.2%/+0.2% m/m
- Headline/Core CPI: +3.2%/+4.7% y/y
- PPI: +0.3% m/m; +0.8% y/y

The week ahead

- Retail sales
- Housing starts

Thought of the week

As of last Friday's market close, the top 10 stocks in the S&P 500 accounted for 90% of the index's year-to-date gains. While market breath has been narrow and returns have been highly concentrated, the rally has broadened out relative to May, when the S&P 500's 10 largest names accounted for all of the year-to-date gains. This decline in concentration can be attributed to surprisingly resilient economic data, which in turn has fueled better than expected profit growth and stock market performance. In fact, with the 2Q23 earnings season coming to a close, profits have surprised to the upside, with particular strength in the consumer sectors, construction, travel and streaming/gaming. With that being said, the recent broadening has been moderate at best, and mega-cap tech stock valuations remain stretched. The top 10 stocks currently account for over 30% of the index, which is down from the peak levels we saw in April/May but still extremely high relative to the last 25 years. Importantly, and in contrast to their weight in the index, the earnings contribution of these top 10 stocks is sitting near its pre-COVID level, but well below the pandemic era highs. Despite this misalignment in weights and earnings, the VIX has remained at historically low levels, which has been aided by the market becoming increasingly confident in a soft landing.

Whether this performance is sustainable hinges on inflation. Any further stickiness in core CPI may push the Fed to maintain a hawkish stance, thereby increasing the odds of a recession. In such a scenario, we would likely see earnings revised lower, leaving the market, where valuations are already stretched, particularly vulnerable. As such, investors should take advantage of historically wide valuation dispersion, and focus on low beta stocks characterized by stable cash flows and solid balance sheets.

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	4464	-0.27	0.46	17.43	7.92	40.39
Dow Jones 30	35281	0.69	2.71	7.78	8.13	35.38
Russell 2000	4784	-1.62	2.04	10.29	-1.01	26.98
Russell 1000 Growth	1817	-1.04	-0.74	28.07	9.97	35.51
Russell 1000 Value	977	0.33	1.91	7.13	4.35	41.28
MSCI EAFE	2129	-0.56	0.09	12.22	11.80	23.54
MSCI EM	998	-1.92	1.42	6.59	1.63	-0.37
NASDAQ	13645	-1.87	-0.97	31.04	7.72	29.51

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	5.03	-0.64	-1.42	0.64	-3.56	-13.63
U.S. Corporates	5.68	-0.67	-1.35	1.82	-2.09	-13.73
Municipals (10yr)	3.21	0.33	-0.29	1.86	0.74	-3.16
High Yield	8.55	0.32	1.13	6.56	2.60	5.25

Key Rates	Levels (%)					
	8/11/23	8/4/23	6/30/23	12/30/22	8/11/22	8/11/20
2-yr U.S. Treasuries	4.89	4.78	4.87	4.41	3.23	0.16
10-yr U.S. Treasuries	4.16	4.05	3.81	3.88	2.87	0.64
30-yr U.S. Treasuries	4.27	4.21	3.85	3.97	3.15	1.32
10-yr German Bund	2.61	2.57	2.41	2.53	0.96	-0.48
3-mo. LIBOR	5.63	5.63	5.55	4.77	2.91	0.25
3-mo. EURIBOR	3.78	3.74	3.58	2.13	0.32	-0.48
6-mo. CD rate	N/A	2.19	2.14	1.80	0.86	0.33
30-yr fixed mortgage	7.09	7.09	6.85	6.58	5.47	3.06
Prime Rate	8.50	8.50	8.25	7.50	5.50	3.25

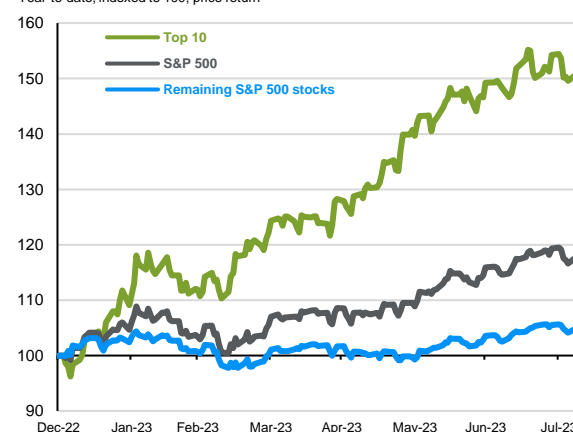
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
18.90	3.95	1.52	37288	
17.48	4.33	1.95	10930	
21.35	1.90	1.43	2405	
25.88	9.91	0.73	21457	
14.68	2.31	2.29	19745	
13.00	1.69	3.01	15547	
12.37	1.57	2.65	6744	
26.43	5.16	0.79	21943	

Currencies	Levels		
	8/11/23	12/30/22	8/11/22
\$ per €	1.10	1.07	1.03
\$ per £	1.27	1.20	1.22
¥ per \$	144.74	131.95	132.59

Commod.	Levels		
	8/11/23	12/30/22	8/11/22
Oil (WTI)	82.82	80.16	97.02
Gasoline	3.83	3.09	4.04
Natural Gas	2.76	3.52	8.53
Gold	1916	1814	1797
Silver	22.69	23.95	20.54
Copper	8242	8387	8140
Corn	6.10	6.14	6.59
BBG Idx	237.38	245.89	265.67

Chart of the Week

S&P 500 versus top 10
Year-to-date, indexed to 100, price return



Style Returns

	V	B	G
L	0.3	-0.3	-1.0
M	-0.5	-0.6	-1.0
S	-1.0	-1.6	-2.2
L	7.1	17.4	28.1
M	7.0	9.9	14.3
S	7.4	10.3	12.7

S&P 500 Sector Returns

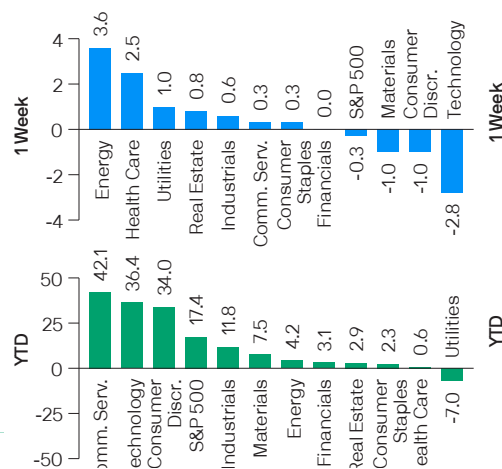




Chart of the Week: Source: Standard & Poor's, FactSet J.P. Morgan Asset Management. Top 10 stocks include: AAPL, MSFT, AMZN, NVDA, GOOGL, BRK.B, GOOG, META, XOM, UNH, and TSLA. Data are as of August 11, 2023.

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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. 0903c02a81dbac80

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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