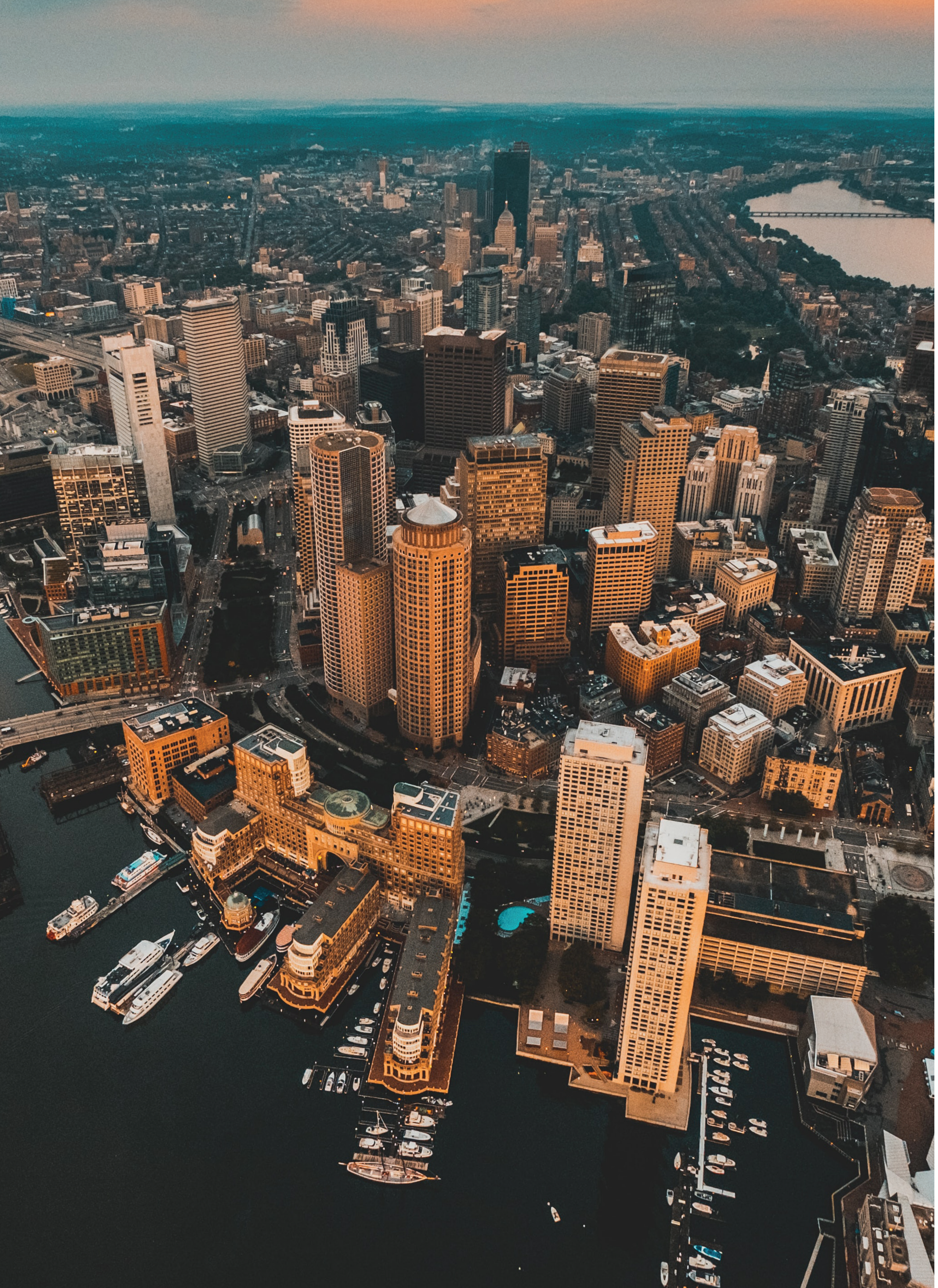


WEEK OF MARCH 13, 2023

Market Update

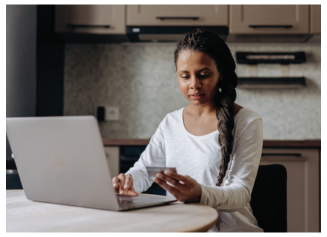
Quick Hits

1. **Report releases:** The economy and labor market show signs of persistent strength
2. **Financial market data:** Bonds rallied as equities sold off amid banking concerns
3. **Looking ahead:** Inflation reports will provide insight after a volatile week in bonds

Report Releases: March 6–10, 2023

Consumer Credit
January (Tuesday)

Consumer credit rose to $14.80B, up from $11.57B in December. The pickup in credit bucked the large drop of roughly $16.4B in December. The drop is common as the holiday shopping season started earlier, but the trend is worth watching.



International Trade Report
January (Wednesday)

The trade deficit widened less than expected in January. Imports fell 3 percent while exports rose for the first time since August.

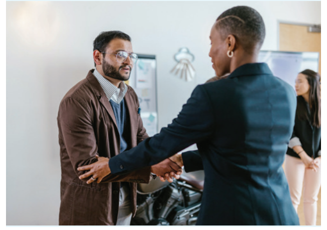
JOLTS Job Openings
January (Wednesday)

The Job Openings and Labor Turnover Survey (JOLTS) report for January showed job openings fell to 10.8 million (down 410,000). The rate of quits decreased to 3.9 million while the number of layoffs and discharges increased to 1.7 million. The report showed signs that the labor market is softening.

Employment Report
February (Friday)

Overall, the labor market remained strong in February, as shown by the 311,000 jobs that were added. Despite faster-than-expected hiring, average wage growth increased less than expected.

- Expected/prior monthly job growth: 225,000/504,000
- Actual monthly job growth: 311,000
- Expected/prior unemployment rate: 3.4%/3.4%
- Actual unemployment rate: 3.6%



>> The Takeaway

- Consumer credit and international trade recovery indicated continued strength for the economy.
- The labor market remains tight. The JOLTS and employment reports showed higher-than-expected job growth in February following a decline in job openings in January.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−4.51%	−2.67%	0.91%	−7.81%
Nasdaq Composite	−4.35%	−2.14%	−3.24%	−1.71%
DJIA	−4.68%	−2.72%	6.63%	−14.38%
MSCI EAFE	−0.72%	0.16%	6.06%	3.37%
MSCI Emerging Markets	−3.28%	−0.86%	0.04%	−10.54%
Russell 2000	−8.02%	−6.49%	0.89%	−10.60%

Source: Bloomberg, as of March 10, 2023

Equities sold off last week amid large swings in Federal Reserve (Fed) policy expectations and added volatility from the closure of Silvergate Capital (SI) and Silicon Valley Bank (SIVB). Silvergate was a popular bank for housing assets of many crypto exchanges but faltered as its fixed income assets lost value following the rapid increase in Fed hikes. Silicon Valley Bank was a bank of choice for many venture capital firms and individuals. On Friday, the stock was halted as it announced it failed to find a buyer to raise the capital it needed to offset liabilities and fixed income losses.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.04%	1.45%	−7.35%
U.S. Treasury	1.46%	1.57%	−7.60%
U.S. Mortgages	0.47%	1.04%	−7.78%
Municipal Bond	0.76%	1.31%	−3.24%

Source: Bloomberg, as of March 10, 2023

U.S. Treasury yields fell sharply as investors flocked to fixed income amid the equity volatility. The 2-year, 5-year, 10-year, and 30-year fell 27 basis points (bps) (to 4.59 percent), 28 bps (to 3.97 percent), 26 bps (to 3.7 percent), and 17 bps (to 3.71 percent), respectively. Future rate expectations were whipsawed last week amid the volatility. Inflationary data is due out this week and will play into the Fed's difficult decision ahead as it tries to balance volatility in the face of persistently high inflation.

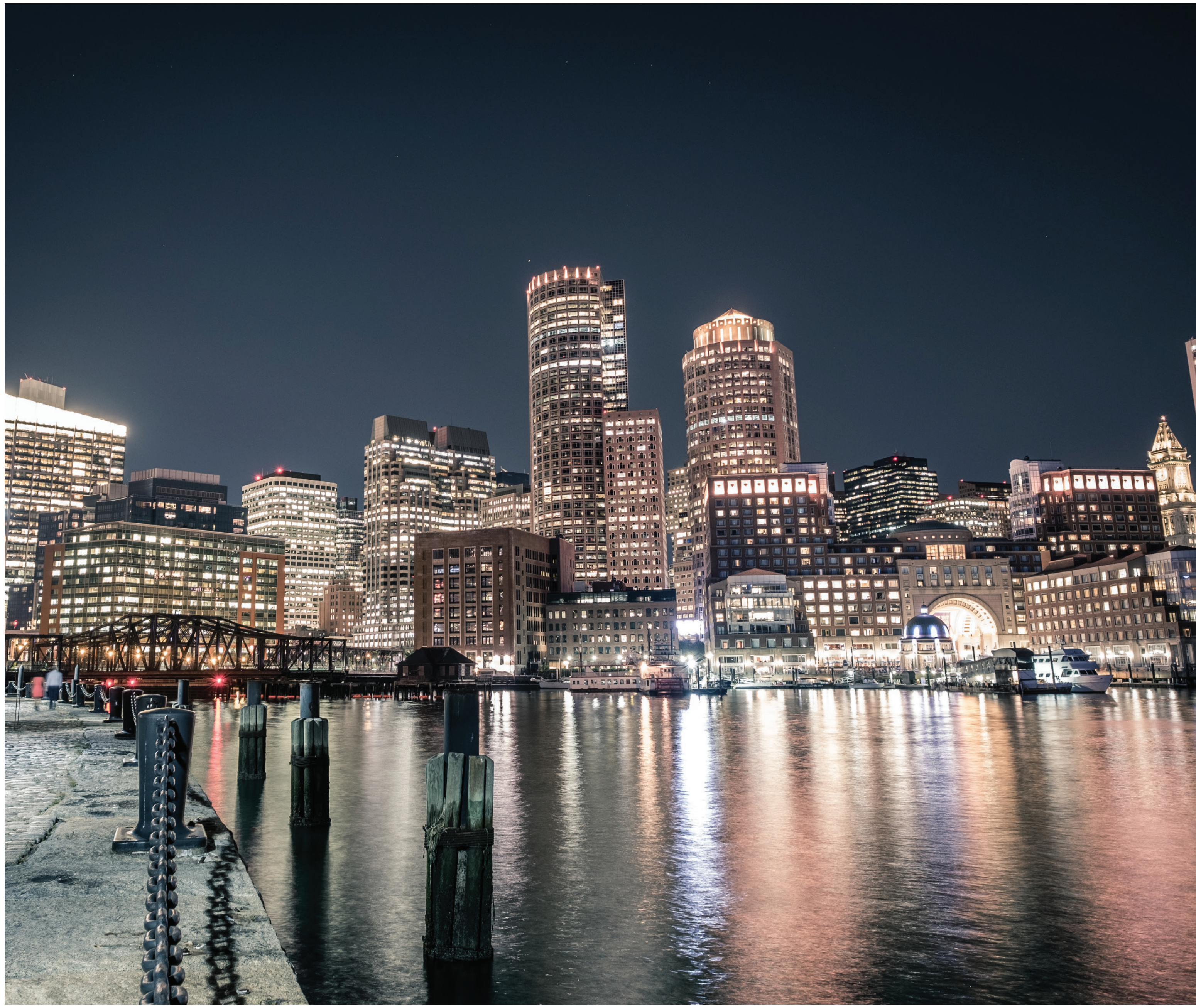
>> The Takeaway

- The Russell 2000, which hosts many regional banks, led the way for losses.
- Both treasuries and equities were highly volatile as implications of the two bank collapses remain uncertain.

Looking Ahead

There will be many data releases that focus on a variety of topics, including inflation, the consumer, and housing.

- Tuesday will see the release of the **Consumer Price Index** for February. Headline consumer prices are set to rise. On a year-over-year basis, consumer inflation is expected to slow. A higher-than-expected report will put the FOMC in a hard place in deciding near-term rate policy amidst a volatile market and high inflation.
- Wednesday's reports will include the **Producer Price Index** and **retail sales**. Headline and core producer inflation are set to slow in February, with falling energy prices expected to help ease producer price pressure.
- Finally, the **housing starts** and **building permits reports** for February will be published on Thursday. Housing starts and building permits are set to increase modestly in February; however, despite the anticipated increase, both measures of new home construction are expected to remain near multi-year lows.



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The S&P 500 Index is a broad-based measurement of changes in stock market conditions based on the average performance of 500 widely held common stocks. All indices are unmanaged and investors cannot invest directly in an index.

The MSCI EAFE (Europe, Australia, Far East) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI EAFE Index consists of 21 developed market country indices.

One basis point (bp) is equal to 1/100th of 1 percent, or 0.01 percent.

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