



# Weekly Market Recap

## The week in review

- Headline CPI: 6.4% y/y, -0.1% m/m
- Core CPI: 5.7% y/y, 0.3% m/m
- Initial claims edged lower to 205k

## The week ahead

- Retail Sales
- Industrial Production

## Thought of the week

While the story last year was about inflation peaking, the 2023 narrative is shifting toward how quickly inflation can cool, and furthermore, how much cooling will be sufficient to get the Fed to pause its rate-hiking campaign. Last week, December's CPI came close to expectations, and marked the sixth consecutive decline in the headline CPI on a year-over-year basis and the first monthly decline since June 2020. Core CPI on the other hand, which peaked three months after the headline figure, registered an increase of 0.3% m/m.

Turning to the details, energy prices declined by 4.5% relative to November, and there was also a moderation in food price increases to 0.3% m/m. Core goods, helped by abating supply chain bottlenecks, declined by 0.3%. On the other hand, core services came in firm at 0.5%, but were largely boosted by shelter prices (0.8% m/m), which are expected to reflect recent moderation in the rental market with some lag. As such, the Fed will continue to closely watch core services inflation ex-shelter, given its relation to the labor market and still strong demand for services.

The Fed is likely to welcome this much-awaited progress on inflation by slowing the pace of rate hikes in February. However, the Fed will want to see further evidence that inflation is cooling, especially in services, before it will feel comfortable taking a pause. Looking further out, this report confirms that the inflation surge is ebbing; barring any shock, this cooling inflation environment should lead to a more symmetric approach to monetary policy as the year progresses, which will likely be positive for both stocks and bonds.

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	3999	2.71	4.22	4.22	-12.74	27.71
Dow Jones 30	34303	2.01	3.54	3.54	-3.01	26.27
Russell 2000	4690	5.27	7.17	7.17	-11.35	17.34
Russell 1000 Growth	1489	4.04	4.37	4.37	-21.41	26.35
Russell 1000 Value	965	1.92	4.48	4.48	-4.49	23.91
MSCI EAFE	2080	4.25	7.05	7.05	-8.90	11.28
MSCI EM	1030	4.18	7.71	7.71	-15.71	-2.27
NASDAQ	11079	4.83	5.88	5.88	-24.54	22.34

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.32	0.88	2.74	2.74	-9.44	-5.76
U.S. Corporates	5.03	1.40	3.43	3.43	-11.38	-5.65
Municipals (10yr)	2.74	1.04	1.99	1.99	-3.81	0.79
High Yield	8.16	1.58	3.84	3.84	-7.16	3.44

Key Rates	Levels (%)					
	1/13/23	1/6/23	12/30/22	12/30/22	1/13/22	1/13/20
2-yr U.S. Treasuries	4.22	4.24	4.41	4.41	0.91	1.58
10-yr U.S. Treasuries	3.49	3.55	3.88	3.88	1.70	1.85
30-yr U.S. Treasuries	3.61	3.67	3.97	3.97	2.05	2.30
10-yr German Bund	2.09	2.21	2.53	2.53	-0.10	-0.17
3-mo. LIBOR	4.83	4.81	4.77	4.77	0.24	1.83
3-mo. EURIBOR	2.33	2.25	2.13	2.13	-0.56	-0.39
6-mo. CD rate	1.83	1.80	1.80	1.80	0.14	0.76
30-yr fixed mortgage	6.42	6.42	6.58	6.58	3.52	3.87
Prime Rate	7.50	7.50	7.50	7.50	3.25	4.75

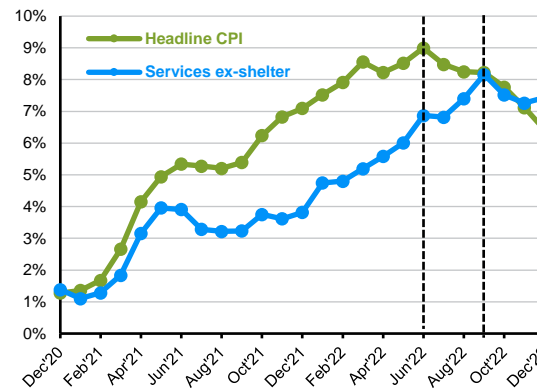
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.38	3.87	1.61	33465
17.23	4.50	2.01	9663
20.50	1.98	1.29	2426
22.04	9.00	1.00	17841
14.62	2.43	2.11	19131
12.74	1.66	3.29	15239
12.38	1.63	3.36	6804
23.70	4.71	0.92	17974

Currencies	Levels		
	1/13/23	12/30/22	1/13/22
\$ per €	1.08	1.07	1.15
\$ per £	1.22	1.20	1.37
¥ per \$	127.52	131.95	114.12

Commod.	Levels		
	1/13/23	12/30/22	1/13/22
Oil (WTI)	78.39	80.16	81.97
Gasoline	3.26	3.09	3.30
Natural Gas	3.70	3.52	4.78
Gold	1907	1814	1820
Silver	23.68	23.95	23.25
Copper	9107	8387	9972
Corn	6.06	6.14	5.78
BBG Idx	243.64	245.89	220.09

## Chart of the Week

**Services ex-shelter to keep the Fed hiking but at a slower pace**  
Year-over-year % change, seasonally adjusted



## Style Returns

	V	B	G
L	1.9	2.7	4.0
M	2.9	3.4	4.3
S	4.5	5.3	6.0

	V	B	G
L	4.5	4.2	4.4
M	5.8	5.7	5.3
S	6.9	7.2	7.5

## S&P 500 Sector Returns

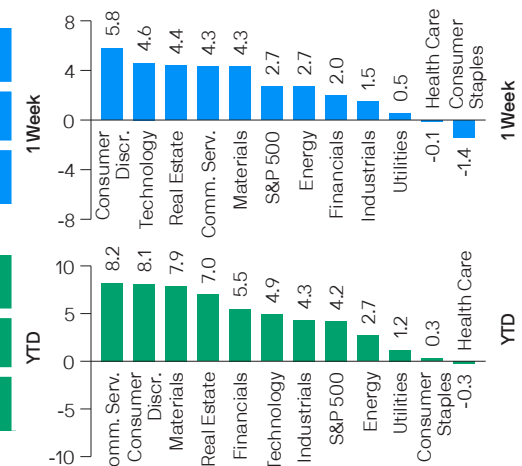




Chart of the Week: Source: BLS and J.P. Morgan Asset Management.  
Thought of the week: Source: BLS and J.P. Morgan Asset Management.

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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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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