

Weekly Market Recap

The week in review

- Headline/Core CPI, NSA: 4.9%/5.5% y/y
- Initial jobless claims: 264K, up from 242K

The week ahead

- Retail sales

Thought of the week

Following the Federal Reserve's (Fed's) decision to raise the federal funds rate to a range of 5.00%-5.25%, investors scoured April's CPI report and the 1Q Senior Loan Officer Survey in an attempt to get a sense of the Fed's next steps.

Although the survey showed only a slight increase in the share of domestic banks reporting tighter lending standards, there is more to this than meets the eye. As shown in the chart of the week, banks had been incrementally tightening lending standards over the past year, and well before stress in the banking system began to emerge. While the share of banks tightening has not eclipsed pandemic levels, demand for commercial loans has fallen below levels seen during the depths of the pandemic. This has been particularly true among the regional banks, which have increased lending costs amidst an uncertain economic outlook and recent deposit flight.

The silver lining, however, is that tighter lending standards weigh on economic growth by depressing credit demand, and typically lead inflation to decelerate with a lag of 4-6 quarters. As such, the full impact of the tighter credit conditions is yet to be felt, but the April CPI report suggested that inflation is cooling, with year-over-year headline CPI moderating for the 10th consecutive month. Furthermore, after stripping out the volatile energy and lagging shelter components, services prices registered an increase of 0.11% on the month; this was the smallest increase since July 2022 and suggests that even some of the sticky components are beginning to turn over.

Looking ahead, further deceleration in inflation seems likely. However, the lagged impact of extremely tight monetary policy will begin to be felt more acutely and has raised the risk of recession later this year. As the growth/inflation mix begins to shift, it seems likely that the Fed's resolve to keep rates higher for longer will be tested.

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	4124	-0.24	0.53	8.07	6.76	50.72
Dow Jones 30	33301	-1.04	0.25	1.19	7.22	48.90
Russell 2000	4326	-1.04	-3.29	-0.65	1.64	41.71
Russell 1000 Growth	1653	0.53	1.65	16.25	11.65	46.18
Russell 1000 Value	914	-1.05	-1.27	-0.28	1.35	51.44
MSCI EAFE	2126	-0.63	2.48	11.32	15.18	41.24
MSCI EM	973	-0.85	-1.45	2.51	1.91	16.35
NASDAQ	12285	0.44	0.60	17.74	9.01	39.68

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.37	-0.23	0.33	3.30	-0.87	-8.96
U.S. Corporates	5.19	-0.18	-0.01	3.49	0.09	-5.22
Municipals (10yr)	2.83	0.02	0.13	2.90	6.36	2.66
High Yield	8.68	-0.05	0.56	4.15	3.35	13.12

Key Rates	Levels (%)					
	5/12/23	5/5/23	3/31/23	12/30/22	5/12/22	5/12/20
2-yr U.S. Treasuries	3.98	3.92	4.06	4.41	2.56	0.17
10-yr U.S. Treasuries	3.46	3.44	3.48	3.88	2.84	0.69
30-yr U.S. Treasuries	3.78	3.76	3.67	3.97	3.00	1.38
10-yr German Bund	2.33	2.28	2.33	2.53	0.87	-0.51
3-mo. LIBOR	5.32	5.34	5.19	4.77	1.41	0.42
3-mo. EURIBOR	3.35	3.28	3.04	2.13	-0.41	-0.25
6-mo. CD rate	1.90	1.89	1.88	1.80	0.34	0.43
30-yr fixed mortgage	6.48	6.48	6.40	6.58	5.53	3.43
Prime Rate	8.25	8.25	8.00	7.50	4.00	3.25

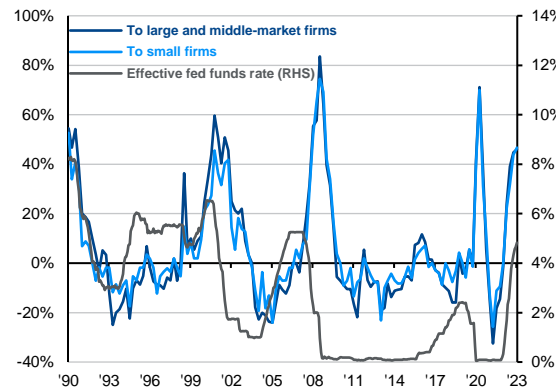
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.96	3.80	1.62	34480
16.68	4.19	2.06	10512
19.92	1.88	1.42	2208
24.13	9.02	0.94	19751
13.99	2.28	2.29	18075
13.02	1.68	3.11	15560
12.05	1.55	3.33	6448
25.82	4.84	0.85	19846

Currencies	Levels		
	5/12/23	12/30/22	5/12/22
\$ per €	1.09	1.07	1.04
\$ per £	1.25	1.20	1.22
¥ per \$	135.31	131.95	128.12

Commod.	Levels		
	5/12/23	12/30/22	5/12/22
Oil (WTI)	70.87	80.16	106.15
Gasoline	3.53	3.09	4.33
Natural Gas	2.19	3.52	7.25
Gold	2020	1814	1837
Silver	23.86	23.95	20.99
Copper	8240	8387	9019
Corn	6.10	6.14	7.77
BBG Idx	224.48	245.89	272.02

Chart of the Week

Banks continue to tighten lending standards
Net % of domestic banks tightening standards for C&I loans



Style Returns

	V	B	G
L	-1.1	-0.2	0.5
M	-1.1	-0.7	0.0
S	-1.4	-1.0	-0.7
	V	B	G
L	-0.3	8.1	16.2
M	-1.2	1.5	6.7
S	-5.6	-0.6	4.2

S&P 500 Sector Returns

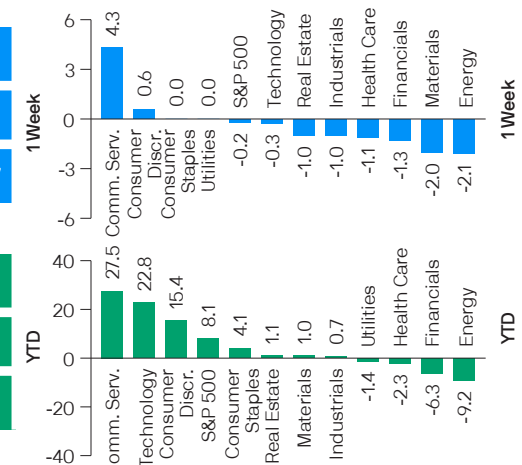




Chart of the Week: Source: Federal Reserve, J.P. Morgan Asset Management.

Thought of the week: Source: BLS, Federal Reserve, 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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