

## Weekly Market Commentary July 10, 2023

### The Markets

Markets are playing Federal Reserve (Fed) Clue.

Last week, investors parsed the monthly Employment Situation Summary from the Bureau of Labor Statistics for clues about whether the Fed will raise the federal funds rate at its next meeting or leave the rate unchanged, reported Megan Leonhardt of *Barron's*. The Fed has been aggressively raising the rate to slow the pace of inflation. Higher rates typically lead to slower economic growth and fewer jobs, so the employment report offers some signals about the Fed's progress so far and what may come next.

After perusing the report, investors appeared to agree the Fed was likely to continue raising the federal funds rate. *Barron's* reported, "The labor market is still running more warm than cool—June's jobs data is still well above the baseline standards of a tight labor market—and it builds the case for Fed officials to press the play button and again increase rates in July. On Friday, the likelihood that the Fed would raise rates during the upcoming July [meeting] stood at 94.9%, according to the CME FedWatch tool."

Here are some of the report highlights:

**Overall, the unemployment rate ticked lower (3.6 percent).** Generally, low unemployment a sign of economic strength. The unemployment rate varied by race. It was 3.1 percent for the White population, 3.2 percent for the Asian population, 4.3 percent for the Hispanic/Latino population, and 6.0 percent for the Black population.

**Fewer jobs were created in June (209,000) than in May (306,000).** The slower pace of job creation is one sign the economy may be losing steam. It's also possible the jobs numbers could prove to be less robust than the first estimate suggests. The preliminary employment numbers for April and May were revised lower in the June report.

**Workers took home more pay.** Average hourly earnings increased in June and were up 4.4 percent over the last 12 months. That means consumers had more money in their pockets to spend. Since consumer spending is the main driver of economic growth in the United States, this was probably not what the Fed wanted to see.

Last week, major U.S. stock indices finished lower, reported *Barron's Data*. Yields on U.S. Treasuries finished the week higher.<sup>7</sup>

Data as of 7/7/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	-1.2%	14.6%	12.7%	11.8%	9.6%	10.4%
Dow Jones Global ex-U.S. Index	-1.6	5.8	8.0	2.9	0.4	2.3
10-year Treasury Note (yield only)	4.1	N/A	3.0	0.7	2.9	2.7
Gold (per ounce)	0.5	6.1	10.0	2.4	8.8	4.5
Bloomberg Commodity Index	0.4	-9.7	-11.5	15.3	3.4	-2.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**IT'S OLD FASHIONED.** From cuff-and-collar boxes to floppy disks, the accoutrements of “modern” life change over time. Gadgets and gizmos that were once essential become obsolete as fresh, and often more efficient, options gain a following. See what you know about the way life used to be by taking this quiz.

1. Hand-cranked churns were an important tool in many households from the mid-1800s through the 1940s. What were they used for?
  - a. Drying clothes
  - b. Canning vegetables
  - c. Producing butter
  - d. Making wine
  
2. At the time of the Civil War, what was the most common form of communication?
  - a. Letters
  - b. Gossip
  - c. Newspapers
  - d. Telegraph
  
3. Patterns of holes in stiff paper proved to be quite valuable in various industries during the 1800s and 1900s. Some punched cards had the phrase “do not fold, spindle or mutilate” printed on them. What were punched cards used to do?
  - a. Automate weaving
  - b. Record and replay harmonium (pump organ) performances
  - c. Process business and government data
  - d. All of the above
  
4. Before computers and smart phones became ubiquitous, people used rotating card files to organize contact information. What were these devices called?
  - a. Spinfile
  - b. Rotarchives
  - c. Rolodexes
  - d. Spindexes

Bonus: The correct answer is a mashup of two words. What are they?

### **Weekly Focus – Think About It**

“That men do not learn very much from the lessons of history is the most important of all the lessons of history.”

—Aldous Huxley, *author*

Answers: 1) c; 2) b; 3) d; 4) c; Bonus: Rolling and Index

Best Regards,

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- \* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- \* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- \* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- \* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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