

Weekly Market Commentary July 17, 2023

The Markets

Disinflation was in the air!

To the great relief of the Federal Reserve, the American economy has been experiencing “disinflation,” which is a slowdown in the rate of inflation. For example, last week we learned that:

Inflation fell to a two year low in June. The Consumer Price Index (CPI) showed that prices rose just 3 percent from June 2022 through June 2023. That was lowest inflation has been in two years, reported Augusta Saraiva of *Bloomberg*.

Core inflation was lower, but not as low. The core CPI, which excludes volatile food and energy prices, also dropped to a two-year low, coming in at 4.8 percent. While inflation is still well above the Federal Reserve’s target rate of two percent, the slower rate of increases was welcome news for everyone who has been concerned about the effects of higher costs on their budgets.

Producer prices flattened. The Producer Price Index followed on the heels of the CPI. It showed that prices were almost flat for producers, rising just 0.1 percent over the 12 months through June 2023. Reade Pickert of *Bloomberg* reported, “Normalizing global supply chains, stabilizing commodity prices, and a broader shift in consumer demand toward services and away from goods have generally helped alleviate inflationary pressures at the producer level.”

Disinflation should not be confused with deflation, which happens when the inflation rate is negative, and prices fall. While deflation may sound attractive, it is usually associated with undesirable economic conditions, including recessions and stagnant growth, reported the *Federal Reserve Bank of Richmond*.

Last week, major U.S. stock indices finished higher, according to *Barron’s*. The Standard & Poor’s 500 and Nasdaq Composite Indexes hit new highs mid-week on positive inflation and earnings news. U.S. Treasuries rallied early and then changed direction with yields moving higher toward the end of the week, reported Rita Nazareth of *Bloomberg*.

Data as of 7/14/23	1-Week	YTD	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.4%	17.3%	18.9%	12.1%	10.0%	10.4%
Dow Jones Global ex-U.S. Index	4.6	10.6	16.7	4.3	1.4	2.3
10-year Treasury Note (yield only)	3.8	N/A	3.0	0.6	2.9	2.6
Gold (per ounce)	1.6	7.8	14.9	2.6	9.5	4.3
Bloomberg Commodity Index	2.6	-7.3	-6.4	16.5	4.8	-2.0

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.

NEW FRONTIERS IN FUNGUS. Anyone who has watched *The Last of Us*, a series that features a fungus mutation that turns humans into zombies, may be interested to learn that scientists and engineers have been exploring and developing new ways to harness the power of fungi and bacteria. Here are some of the ideas they're working on:

- **Knitted biostructures.** Scientists, engineers and designers have been collaborating to develop bio-fabricated architecture – buildings made from the roots of fungus combined with wool, sawdust and other natural materials. The stumbling block was that fungus roots, a.k.a. mycelium, need a lot of oxygen to grow. The solution was textile knitting that allows a lot of oxygen into the frame, helping mycelium grow more quickly. The research team created a “prototype structure... a nearly six-foot-tall, freestanding three-dimensional dome constructed as a single piece without any joins,” reported Andrew Paul of *Popular Science*.
- **Mushroom-skin computer chips.** Researchers think a biodegradable microchip composed of mushroom skin is a possibility. If they're right, the development could “reduce electronic waste and cut greenhouse gas emissions from plastic,” reported Alan Trully of *Digital Trends*. Mushroom skin has also been used to print circuit boards. Fungi could play additional roles in the computers of the future.
- **SCOBY technology platforms.** If you make kombucha, you may be familiar with SCOBY (a.k.a. Symbiotic Culture of Bacteria and Yeast). While it's often called a mushroom, it's not actually a fungus. It's a cellulose mat that may be used as a kombucha starter. It is also being used as “a malleable surface on which to print simple circuit boards,” explained Andrew Paul of *Popular Science*. Augmented kombucha surfaces are nonconductive and may prove to be just right for wearable technology because the surfaces are cheaper, lighter, and more flexible than traditional plastic options.

Mushrooms may help make technology more eco-friendly.

Weekly Focus – Think About It

“Courage is like — it's a habitus, a habit, a virtue: you get it by courageous acts. It's like you learn to swim by swimming. You learn courage by couraging.”

—Marie M. Daly, chemist

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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