Weekly Market Commentary
July 31, 2023

The Markets

Central bank palooza!

While music lovers attended concerts and festivals across the United States, central banks had a lollapalooza of their own. The U.S. Federal Reserve (Fed) led things off last Wednesday, followed by the European Central Bank (ECB) on Thursday, and the Bank of Japan (BOJ) on Friday. Here's what happened:

> **The Fed** continued to play a familiar tune at July's Federal Open Market Committee (FOMC) meeting, raising the effective federal funds rate from 5.08 percent to 5.33 percent. Fed Chair Jerome Powell stated, "Inflation remains well above our longer-run goal of 2 percent…Despite elevated inflation, longer-term inflation expectations appear to remain well anchored, as reflected in a broad range of surveys of households, businesses, and forecasters, as well as measures from financial markets."
>
> In addition to raising rates, the Fed is engaged in quantitative tightening (QT) – selling assets, or letting them mature, to reduce the Fed's balance sheet. Like rate hikes, QT is intended to slow economic activity and the pace of inflation. Currently, the Fed is reducing its balance sheet by about $60 billion a month.
>
> **The ECB** was singing the Fed's tune. It lifted rates from 3.50 percent to 3.75 percent, reported CNBC. In the European Union, the inflation rate was 5.5 percent in June, down from a high of 8.6 percent last summer. Prices are rising at the slowest pace in Luxembourg (1.0 percent, annualized) and the fastest in Hungary (19.9 percent, annualized).
>
> **The BOJ** sent a shiver through markets when it unexpectedly changed its yield curve policy, while leaving its short-term policy interest rate unchanged. For years, Japan's central bank has kept rates very low to encourage spending and investment. The change in its policy caused yields to surge higher, reported Toru Fujioka, and Sumio Ito of *Bloomberg*.
>
> The surprise move is important because, "Japanese investors have spent more than $3 trillion offshore in search of higher yields. Economists warn that even a small shift to policy normalization may prompt Japanese cash to flood out of global markets and back home," reported Garfield Reynolds of *Bloomberg*,

The BOJ's policy change wasn't the only surprise last week. The U.S. economy also upended expectations as its growth accelerated in the second quarter. Gross domestic product (GDP), which is the value of all goods and services produced in the U.S., grew by 2.4 percent from April through June. That was well above both first quarter growth (2.0 percent) and economists' expectations for second quarter growth (1.5 percent), reported Angela Palumbo of *Barron's*. Economists who thought the July rate hike might be the Fed's rate-hiking-cycle finale headed back to their spreadsheets to reassess the data.

Last week, major U.S. stock indices finished higher, reported *Barron's*. Yields on short U.S. Treasuries finished the week above 5 percent and most longer maturity Treasuries offered yields above 4 percent. The exception was the benchmark 10-year U.S. Treasury.

Data as of 7/28/23	**1-Week**	**YTD**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 Index	1.0%	19.3%	12.5%	12.5%	10.3%	10.5%
Dow Jones Global ex-U.S. Index	1.3	11.5	10.6	3.8	1.2	2.4
10-year Treasury Note (yield only)	4.0	N/A	2.7	0.6	3.0	2.6
Gold (per ounce)	-0.3	7.8	11.5	0.2	9.8	3.9
Bloomberg Commodity Index	1.0	-5.0	-10.9	16.1	4.7	-1.6

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.

TRIVIAL SUPERPOWERS. Several publications, blogs and social media sites have asked people to share their trivial or useless superpowers. The editor of the *Annals of Improbable Research*, Marc Abrahams, defines this as, "the ability to reliably do some particular task that seems mundane to them, but that most people find impossible to do except once in a while by sheer luck."

Here are a few of the responses readers shared with Abrahams and Marginal Revolution, which is the economics blog of George Mason University professors Tyler Cowen and Alex Tabarrok.

> "I can recall being amazed to learn at age 7 that my father, a broadly competent outdoorsman, after only ten minutes of walking in a jungle in Mexico had gotten lost. I knew exactly which way our car was and led him back to it, coming out of the jungle onto the road about 20 feet from the car…Of course, GPS and smartphones have made this not very useful."
>
> "I usually can estimate pretty closely what time it is, which was fairly useless back when people wore watches and is almost totally useless in cellphone era."
>
> "…one of my Useless Super-Powers is the ability to pour nearly identical amounts of liquid without thought or effort. In practice, for example: if I'm pouring wine for four people, there is almost always no visible difference between the contents of the glasses."
>
> "[I have] the ability to reorganize fridges/freezers and always find more room for whatever needs fitting."
>
> "…had a friend who could recite back to you the letters of any word you supplied, but in alphabetical order, and instantly. We tried to stump him with crazy complex words, to no avail."
>
> "I can always tell if someone is lying just by looking at them…I can also tell, just by looking at them, if they are standing up."

Some might say that investors' ability to remain invested and focused on long-term goals in uncertain markets is a superpower. If you have questions about the market or your investments, please get in touch.

Weekly Focus – Think About It
"Having a superpower has nothing to do with the ability to fly or jump, or superhuman strength. The truest superpowers are the ones we all possess: willpower, integrity, and most importantly, courage."

—Jason Reynolds, author

Best Regards,

Victor Levy for Levy Wealth Management Group

Levy | WEALTH MANAGEMENT GROUP
1818 Market St | Suite 3232 | Philadelphia, PA 19103
Main: 215-875-8720 | Fax: 215-875-8756
info@levywealth.com
www.levywealth.com

* Consult your financial professional before making any investment decision.
* To unsubscribe please reply to this email with "Unsubscribe" in the subject line.

Sources:
https://www.newyorkfed.org/markets/reference-rates/effr
https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20230726.pdf
https://www.federalreserve.gov/newsevents/pressreleases/monetary20220504b.htm
https://www.cnbc.com/2023/07/27/watch-live-ecb-president-christine-lagarde-speaks-after-rate-decision.html
https://ec.europa.eu/eurostat/documents/2995521/17179282/2-19072023-AP-EN.pdf/
https://www.bloomberg.com/news/articles/2023-07-28/boj-loosens-grip-on-long-term-yields-in-ueda-s-first-surprise (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2023/07-31-23_Bloomberg_BOJ%20Sends%20YIelds%20Soaring%20With%20Surprise%20Change%20to%20Rate%20Limit_6.pdf)
https://www.bloomberg.com/news/articles/2023-07-28/why-tweaks-to-japan-yield-curve-controls-rock-markets (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2023/07-31-23_Bloomberg_Why%20Tweaks%20to%20Japan%20Yield%20Curve%20Controls%20Rock%20Markets_7.pdf)
https://www.bea.gov/data/gdp/gross-domestic-product
https://www.barrons.com/articles/us-gdp-growth-report-data-8468fd3b (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2023/07-31-23_Barrons_The%20Economy%20Defies%20Expectations_9.pdf)
https://www.barrons.com/market-data?mod=BOL_TOPNAV (*or go to* https://resources.carsongroup.com/hubfs/WMC-Source/2023/07-31-23_Barrons_Data_10.pdf)
https://home.treasury.gov/resource-center/data-chart-center/interest-rates/TextView?type=daily_treasury_yield_curve&field_tdr_date_value_month=202307
https://www.newscientist.com/article/mg25834352-700-enumerating-the-trivial-superpowers-our-readers-possess/
https://marginalrevolution.com/marginalrevolution/2020/10/what-is-your-useless-superpower.html [14]
https://improbable.com/2023/07/26/multi-frightening-birds-two-more-trivial-superpowers-ai-sheep-counting/
https://www.brainyquote.com/quotes/jason_reynolds_916018?src=t_superpowers