



## Weekly Market Commentary August 28, 2023

### The Markets

Becalmed.

The Chinese government's zero-COVID policy took the wind from the sails of its economy. When the government finally ended the policy earlier this year, many economists anticipated that pent-up consumer demand would refill China's economic sails, lifting the global economy, reported Malcolm Scott of *Bloomberg*. Instead, China's economy is in an economic doldrum, recovering far more slowly than anyone anticipated. As a result, economists have steadily lowered 2023 growth forecasts for the country, reported Yahoo Finance and Diane King Hall.

The economy isn't well-positioned to move ahead. From April through June, it advanced a desultory 0.8 percent. Unemployment among young people is so high that China stopped releasing the data in July, reported Minxin Pei of *Bloomberg*. In addition, a banking crisis may be on the horizon as China's real estate sector, which comprises about 20 percent of the country's economic growth, is experiencing a downturn. Also, government stimulus may be limited as China's debt-to-GDP ratio is about 300 percent; the highest among emerging markets, reported economist Tao Wang in an interview with Vincent Ni of National Public Radio.

Recently, China attempted to stimulate growth and restore confidence by cutting a key interest rate, but investors were not impressed. The benchmark CSI 300 Index, which tracks the performance of 300 A-share stocks traded on the Shanghai Stock Exchange or the Shenzhen Stock Exchange, has fallen by 9 percent in recent weeks as overseas investors moved more than \$10 billion away from Chinese stocks, reported Xie Yu and Yoruk Bahceli of *Reuters*.

Meanwhile, the U.S. economy continues to grow faster than anticipated. "Despite umpteen predictions of a slowdown, it keeps going and going. Recent data suggest it may even be on track for annualized growth of nearly 6% in the third quarter, a pace it has hit only a few times since 2000," reported *The Economist* via Yahoo Finance.

The strong U.S. economy has impeded efforts to lower inflation. Last week, Federal Reserve Chair Jerome Powell confirmed that U.S. inflation remains too high. "As is often the case, we are navigating by the stars under cloudy skies... At upcoming meetings, we will assess our progress based on the totality of the data and the evolving outlook and risks... we will proceed carefully as we decide whether to tighten further or, instead, to hold the policy rate constant and await further data," Powell said.

His comments were generally well-received. The Standard & Poor's 500 and Nasdaq Composite Indices finished the week higher, while the Dow Jones Industrial Average moved lower, according to *Barron's*. Yields on shorter-maturity U.S. Treasuries generally moved higher over the week.

<b>Data as of 8/25/23</b>	<b>1-Week</b>	<b>YTD</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 Index	0.8%	14.8%	4.9%	8.6%	8.8%	10.3%
Dow Jones Global ex-U.S. Index	0.1	4.4	3.5	0.7	0.2	1.7
10-year Treasury Note (yield only)	4.2	N/A	3.0	0.7	2.9	2.8
Gold (per ounce)	1.2	5.7	9.2	0.1	9.6	3.0
Bloomberg Commodity Index	1.2	-6.5	-15.0	13.6	4.7	-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.

**POP ECONOMICS.** Taylor Swift’s Eras Tour, Beyoncé’s Renaissance World Tour, and movie blockbusters Oppenheimer and Barbie have created an economic juggernaut. Together, they’re expected to pump \$8.5 billion into the U.S. economy. One consequence is that economists have increased forecasts for U.S. gross domestic product (GDP) growth this quarter.

See what you know about pop culture trends that are boosting economic growth by taking this brief quiz.

- Queen Bey tour kickoff had an unexpected impact on the Swedish economy. What was the “Beyoncé effect”?
  - A record number of workers called in sick, exacerbating labor shortages.
  - A Beyoncé-inspired tourism boom boosted inflation in May.
  - Consumer sentiment rose and everyone was humming “Single Ladies (Put A Ring On It)”.
  - All of the above
- When Taylor Swift’s tour arrived in Glendale, Arizona, the town temporarily changed its name. What was it called?
  - Never-ever-ville
  - Taylorville
  - Swift City
  - Tay Tay Town
- A recently released movie earned an odd accolade. It became the top-grossing film of all time to never have been number one at the domestic box office. Which movie was it?
  - Barbie
  - Mission Impossible: Dead Reckoning
  - The Super Mario Brothers Movie
  - Oppenheimer
- Barbie is the highest grossing film of 2023. It has earned more than \$755 million in North America. How much has it made worldwide?
  - \$750 million
  - \$1.1 billion
  - \$1.3 billion
  - \$1.7 billion

### **Weekly Focus – Think About It**

“When you combine ignorance and leverage, you get some pretty interesting results.”

—Warren Buffett, *The Oracle of Omaha*

Answers: 1) B. An \$1,800 difference in U.S. and Swedish ticket prices inspired fans to travel. The rise in tourism may have resulted in higher-than-expected inflation in May, according to Dansk Bank's chief economist. 2) C 3) D 4) C

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.
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- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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