

MARKET VIEW WEEKLY

Philip Blancato, Chief Market Strategist, Advisor Group

ECONOMIC REVIEW¹

- The US Trade Balance printed a deficit of -\$67.4B versus the estimate of -\$68.5B for December.
 - Increasing to a record -\$948B, with Goods showing -\$1,191B, and Services with a surplus of \$243B.
- Initial Jobless Claims showed 196K filing for the week ending on February 4th, compared to the 190K consensus expectation, representing the first increase in filings over the last six weeks.²
 - Continuing claims, which include people receiving benefits for a week or more, increased to 1.69 million for the week ending on January 28th.²
- December CPI was revised higher to 0.1% from -0.1% and Core CPI was revised to 0.4% from 0.3%.³
- University of Michigan Consumer Sentiment Index posted a higher-than-expected 66.4 versus the consensus of 65.⁴
 - Inflation expectations rose to 4.2% from 3.9% on the previous release. Long term expectations remained at 2.9% for the third straight month.⁴

How do Initial Jobless Claims, and Consumer Sentiment impact you?

- This is the first pick up on jobless claims over the last month and a half; despite that, claims remain at historic lows, confirming the strength of the job market and raising hopes for a soft landing.
 - The FED has been tracking the labor market and has expressed the need for a softening in labor as a factor to bring inflation back to target.
- Each year CPI numbers are recalculated to adjust for seasonality, causing revisions in the data released.
 - December CPI swung from negative to positive, raising concerns that inflation might be harder to fight.³
- Consumer sentiment's upward trend lowers concern that a recession is imminent, highlighting consumer resilience.
 - Sentiment is +6% compared to a year ago, but still -14% compared to two years ago.⁴

A LOOK FORWARD¹

- This week all eyes will be focused on January's CPI numbers. A confirmation of the downward trend is expected, and any big misses could cause volatility in markets given the importance of the number for the FED.
 - The YoY number is expected to decline to 6.2% from 6.5%, while the MoM numbers is expected to rise by 0.5% after a revised 0.1% increase in December.
 - The consensus for MoM Core CPI is at 0.4%, replicating the revised number from December.
- We will also get numbers related to the state of the economy with expectations tilting to positive on consumption and production, casting more light on the state of the economy and the effects of monetary policy.
 - Retail Sales for January are expected to rise 1.9% after a decline of -1.1% in December.
 - Consensus for Retail Sales Ex Auto is at 0.8% after a decline of -1.1% in December.
 - Industrial production is expected to rise 0.5% after a decline of 0.7% in December.
 - Index for Leading Economic Indicators (LEI) is expected to fall 0.3%, an improvement from previous numbers in December and November of -0.8% and -1.0%, respectively.
- On Tuesday, we will have earnings reports from Walmart and Home Depot. These could be useful as another data point to assess the state of the economy and consumer spending.



MARKET UPDATE⁵

Market Index Returns (%) as of 2/10/23	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	-1.07	6.71	6.71	-5.88	8.54	11.27
NASDAQ Composite TR USD	-2.37	12.05	12.05	-14.29	7.57	12.27
DJ Industrial Average TR USD	-0.11	2.33	2.33	-0.43	7.16	9.30
Russell Mid Cap TR USD	-1.68	8.03	8.03	-3.54	7.69	9.50
Russell 2000 TR USD	-3.34	9.05	9.05	-4.12	5.90	6.75
MSCI EAFE NR USD	-1.57	7.34	7.34	-5.93	3.32	3.58
MSCI EM NR USD	-2.40	6.04	6.04	-15.89	-0.33	0.03
Bloomberg US Agg Bond TR USD	-1.43	1.55	1.55	-8.51	-2.81	0.72
Bloomberg US Corporate High Yield TR USD	-1.78	3.08	3.08	-4.60	0.75	3.20
Bloomberg Global Aggregate TR USD	-1.63	1.80	1.80	-12.08	-4.07	-1.31



OBSERVATIONS

- The Dow Jones was the week's best performer in a broadly down market environment, declining -0.11% vs. -2.37% for the NASDAQ and -1.07% for the S&P 500.
- Small Caps were the laggards on the week, trailing Large Caps, returning -3.34%, being last week's worst performer.
- International stocks underperformed broad domestic stocks, with the MSCI EAFE and MSCI EM returning -1.57% and -2.40% respectively.
- Bonds were negative across the board, with the Bloomberg US Agg Bond Index declining -1.43%, while the Bloomberg Global Aggregate Index dropped -1.63%.
 - US High yield credit declined -1.78% on the week.



BY THE NUMBERS

- **Streaming Is Saving Our Quality Of Life:** The Ludwig Institute for Shared Economic Prosperity has created an index to measure the cost of basic recreational activities, such as eating out, sports equipment, sports at school, tickets to a minor league game, a three-day vacation, and money for gifts, decorations, and holiday dinner. The cost of this bundle of necessities has risen from \$2,586 in 2001 to \$3,577 in 2021, which is lower than the overall rate of inflation. The cost of the bundle has actually been decreasing since 2013, due to the replacement of cable TV subscriptions with streaming services. The cost of TV has fallen from \$746 per year in 2012 to \$277 in 2021, which has helped the overall cost of the bundle fall from \$3,900 in 2012 to its current level. This suggests that the greatest corporate force in terms of reducing household recreation budgets may be the rotation away from the cable bundle and towards streaming.⁶
- **More Than 50 Million Americans to Bet on the Super Bowl:** While waiting for official numbers, this year's Super Bowl is expected to have record-breaking levels of gambling, with more than 50 million Americans betting \$16 billion. The expected record-breaking game comes as 36 states and the District of Columbia have legalized sports betting. It was also the first National Football League Championship to be played in a state with legalized sports betting. Fans in the stadium were able to place mobile-phone bets during the game. Anheuser-Busch InBev has been the only company allowed to advertise alcohol at the Super Bowl for the past 33 years, but since they gave up their exclusivity deal with the NFL, other beer and spirit companies like Molson Coors, Remy Cointreau joined the big Sunday festivities.⁷

Economic Definitions

Trade Balance: The international trade balance measures the difference between the movement of merchandise trade and/or services leaving a country (exports) and entering the country (imports).

Initial Jobless Claims: Initial unemployment claims track the number of people who have filed jobless claims for the first time during the specified period with the appropriate government labor office. This number represents an inflow of people receiving unemployment benefits.

Continuing Jobless Claims: Continuing claims are the number of people filing for unemployment benefits who have already filed an initial claim. To be included in continuing claims, the person must be covered by unemployment insurance and must be currently receiving benefits. They must have been unemployed for at least a week after filing the initial claim, per Department of Labor (DoL) specifications.

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Federal Funds Rates (Fed Funds rate): The Federal funds rate refers to the target interest rate set by the Federal Open Market Committee (FOMC). This target is the rate at which commercial banks borrow and lend their excess reserves to each other overnight.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Conference Board Leading Economic Index: Leading indicators include economic variables that tend to move before changes in the overall economy. These indicators give a sense of the future state of an economy.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

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¹ Data Obtained from Bloomberg as of 02/10/2023.

² <https://www.dol.gov/ui/data.pdf>

³ <https://www.bls.gov/cpi/seasonal-adjustment/>

⁴ <https://data.sca.isr.umich.edu/fetchdoc.php?docid=72050>

⁵ Data Obtained from Morningstar as of 02/10/2023.

⁶ [LISEP Ludwig Institute for Shared Economic Prosperity](#)

⁷ [More Than 50 Million Americans Are Projected to Bet on the Super Bowl - WSJ](#)