

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The Empire State Manufacturing Index, a New York Factory activity measure, showed its first increase in five months.
 - The general business conditions index jumped over +35 points to +10.8 this month, readings above zero indicate expansion.
- US housing starts declined in March; multifamily units were the primary culprit, offsetting an increase in single-family homes.
 - New construction fell -0.8%, to a 1.42 million annualized rate.
 - Multifamily starts declined -5.9%.
 - Single-family homebuilding increased +2.7% to a three-month high.
- Applications to build, a proxy for future construction fell -8.8% to an annualized rate of 1.41 million units due to fewer permits for multifamily projects,
 - One-family dwellings, however, advanced to a five-month high.
- The Conference Board's Leading Economic Index sank -1.2% in March to 108.4, posting its biggest decline in three years.
 - The biggest contributor was orders for non-defense capital goods, excluding aircraft.
 - The biggest detractor was building permits.
- The Federal Reserve's Beige book revealed that overall economic activity was little changed in recent weeks.
 - Employment growth moderated, and the overall price level rose moderately.
 - The release also highlighted that lending in the US had declined after the failure of Silicon Valley Bank.

How do Factory, Housing, and LEI impact you?

- The Empire State Manufacturing index is the first of several Fed regional reports and may be foreshadowing further strength in the manufacturing space following weakness seen earlier this year.
 - Despite strong numbers in new orders and shipments in the report, both employment and hours worked declined for the third straight month.
- The increase in single-family home construction may reflect builder efforts to generate prospective buyer interest following elevated borrowing costs and buyer fatigue.
 - The resale market continues to show inventory is constrained, a void that sellers are reluctant to fill.
- Housing starts data may lead to economists adjusting the impact of home construction on first-quarter GDP.
- March's LEI update indicated the US economy continues to head towards recession, though that signal has been flashing red for months.
 - The economy has certainly slowed but remains in expansion territory despite elevated inflation and high interest rates.



A LOOK FORWARD¹

- All eyes will be on Friday's release of the Personal Consumption Expenditures Price Index (PCE) and personal income/spending data.
 - First quarter GDP, which is expected to moderate to 2.0% from 2.6%, will be released on Thursday.

How does PCE impact you?

- The Fed meets next week to decide on interest rates, placing PCE and personal income/spending under a microscope.
- The CME's FedWatch Tool expects a 90.0% probability there will be a 25-basis point rate hike bringing the target rate to a range of 5.00-5.25%.²



MARKET UPDATE³

Market Index Returns as of 04/21/23	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	-0.09%	0.67%	8.21%	-1.55%	15.72%	11.07%
NASDAQ Composite TR USD	-0.42%	-1.20%	15.64%	-5.12%	13.32%	12.06%
DJ Industrial Average TR USD	-0.19%	1.70%	2.65%	2.16%	15.28%	9.04%
Russell Mid Cap TR USD	0.25%	-0.21%	3.83%	-4.82%	16.11%	7.85%
Russell 2000 TR USD	0.59%	-0.56%	2.16%	-6.27%	15.68%	4.12%
MSCI EAFE NR USD	0.05%	2.72%	11.41%	5.93%	13.35%	3.57%
MSCI EM NR USD	-1.95%	-0.86%	3.06%	-6.18%	5.84%	-1.05%
Bloomberg US Agg Bond TR USD	-0.23%	-0.22%	2.73%	-1.26%	-3.37%	1.03%
Bloomberg US Corporate High Yield TR USD	-0.33%	0.51%	4.10%	-0.19%	4.70%	3.10%
Bloomberg Global Aggregate TR USD	-0.51%	-0.30%	2.70%	-3.97%	-3.73%	-1.23%



OBSERVATIONS

- It was a muted week for equities with both domestic equities and international indices hovering between slightly positive and negative.
 - Broader domestic equities were nearly flat with the S&P 500 returning -0.09%, large-cap value stocks lagged with the DJ Industrial Average declining -0.19%.
 - The tech-heavy NASDAQ returned -0.42%.
- Domestically, small-cap (+0.59%) and mid-cap (+0.25%) stocks improved more than large caps.
- Emerging markets were the worst performing group, falling -1.95% on the week.
- Bonds, both domestic and global, were negative on the week.
 - The Bloomberg US and Global Aggregate Bond Indices returned -0.23 % and -0.51%, respectively.
 - The Bloomberg US Corporate High Yield TR USD dipped -0.33%.



BY THE NUMBERS

- **China's Economy Rebounds After Three Years of Zero-Covid Isolation:** China's economy rebounded in the first three months of the year after Beijing dismantled its heavy-handed Covid-19 controls, teeing up a revival in growth that is expected to buoy the global economy as the U.S. and European economies slow. China's economy expanded 4.5% in the first quarter of the year compared with the same three months a year earlier, China's National Bureau of Statistics said Tuesday, a better performance than the 4.0% pace expected by economists polled by The Wall Street Journal. Compared with the previous quarter, when China was hit by a wave of Covid infections after the abrupt end to its zero-tolerance Covid policies in December, the economy expanded 2.2%. Growth was driven by Chinese consumers, who began shopping, eating out and traveling again after almost three years of stringent restrictions on daily life, data showed. The economy also benefited from government investment in infrastructure and a surprise pickup in exports in March.⁴
- **Chile's White Gold Rush:** Chile's left-wing government is moving to exert more state control over one of the country's most valuable natural resources. Chilean President Gabriel Boric announced on Thursday that he will nationalize the country's lithium industry to boost the economy and protect biodiversity. Chile is the second-largest producer in the world of the lucrative metal, also known as white gold, which is critical for producing the batteries used in electric vehicles and other clean energy technologies. According to the World Bank, lithium demand is expected to explode in the coming decades. Economists predict that production must increase by more than 450 percent by 2050 to accommodate skyrocketing need.⁵

Economic Definitions

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

Empire State Manufacturing Index: The Empire State Manufacturing Survey/Index tracks the sentiment of New York State manufacturing executives regarding business conditions.

Building Permits: This concept tracks the number of permits issued for new construction, additions to pre-existing structures or major renovations. These statistics are based on the number of construction permits approved.

Housing Starts: Housing (or building) starts track the number of new housing units (or buildings) that have been started during the reference period.

Beige Book: The Beige Book is a summary and analysis of economic activity and conditions, prepared with the aid of reports from the district Federal Reserve Banks and issued by the central bank of the Federal Reserve for its policy makers before a Federal Open Market Committee meeting.

GDP: Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

PCE (headline and core): PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Personal Income: Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

Personal Spending: Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

The Conference Board Leading Economic Index® (LEI) for the U.S.: The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The indexes are constructed to summarize and reveal common turning points in the economy in a clearer and more convincing manner than any individual component. The LEI is a predictive variable that anticipates (or "leads") turning points in the business cycle by around 7 months.

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 represents 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 04/21/2023.

² [CME FedWatch Tool | cmegroup.com](#)

³ Data Obtained from Morningstar as of 04/21/2023.

⁴ [China's Economy Rebounds After Three Years of Zero-Covid Isolation | WSJ](#)

⁵ [Chile's White Gold Rush | foreignpolicy.com/](#)