

WEEKLY MARKET UPDATE

Week of February 22, 2023



By The Numbers

<u>Index</u>	<u>DOW</u>	<u>S&P 500</u>	<u>NASDAQ</u>	<u>10YR Yield</u>
Yesterday's Close	33,129	3,997	11,492	3.90%
Market Change from Last Meeting	-2.8%	-3.4%	-3.9%	+3.4%
Market Change Year-To-Date	-0.27%	+3.8%	+9.7%	+3.1%

GOOD NEWS IS BAD NEWS

Mixed messages are causing market confusion and volatility:

- Last Thursday the Retail Sales report for the month of January was up 3% from the previous month, well above the Bloomberg consensus forecast of a 2% increase. The glass-half-full interpretation in this report shows the economy is strong and the chance of recession is low. The glass-half-empty interpretation of the economy is too strong and the Fed will need to raise rates and hold them higher for longer to slow the economy and lower inflation, which will cause the markets to sell off.
- Adding to the confusion is the labor market. Last week's initial jobless claims remained low at 194,000 for the week ending February 11, below the 200,000 estimate and down from the previous week. Low unemployment and millions of job openings sounds like good news, but again it just means the Fed will need to keep rates higher for longer to control the economy and inflation.

INFLATION & THE FED

- The Producer Price Index (PPI), which measures the change in prices for domestic producers, was up 0.7% for the month of January, nearly double the estimate and more than double the previous month.
- Comments from St. Louis Fed President James Bullard included he was in favor of a 50-point rate-hike at the previous meeting and he would like to see a 50-point hike in March. Cleveland Fed President Loretta Mester also said she would support a larger rate-hike at the next meeting in March.

HOUSING MARKET

- For the week ending February 11, mortgage applications declined 7.7%, the Refi Index was down 12.5% and the Purchase Index was down 5.5%.
- Housing starts in January were 4.5% lower than December.
- The average 30-year mortgage is 6.39%, compared to 4.05% one year ago.

Not FDIC Insured | No Bank Guarantee | May Lose Value

QUESTIONS? Dan Bolan, FNBC Portfolio Manager | 708.579.8574 | dbolan@fnbcbt.com