

WEEKLY MARKET UPDATE

Week of May 17, 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	33,012	4,109	12,343	3.55%
Market Change since Last Update	-1.6%	-0.24%	+1.3%	+0.85%
Market Change Year-To-Date	-0.4%	+7.0%	+17.9%	+5.75%

DEBT CEILING

June 1st is the date the U.S. Treasury Department would be forced to delay or even miss a bond payment. Between now and then, expect heightened volatility until Washington makes progress towards a resolution.

Small picture: Congress and the White House need to raise the debt ceiling so principal, and interest can be paid on government debt. Also, programs such as Social Security, Medicare and Medicaid need to be funded as well as our military.

Big picture: According to the Congressional Budget Office, Social Security, Medicare, Medicaid, and other health-related programs will cost the government 10.8% of GDP this year. Thirty years from now these same programs will cost 14.9% of GDP. This situation is unsustainable in the long-run and is the focus of debate in Washington.

INFLATION

The year-over-year Consumer Price Index (rate of inflation) edged down to 4.9% in April, versus 5% in March. That is the lowest reading in two years (April 2021) and marks the 10th consecutive month in which the annual inflation rate has decreased.

Now the "real rate," which is the Fed's policy rate (5%-5.25%) minus the rate of inflation (4.9%), is in positive territory for the first time since May of 2020. Positive real rates should allow the Fed to pause rate hikes as inflation continues to moderate.

EMPLOYMENT

When the Fed raises rates, its intention is to slow down the pace of the economy. Typically, a slower economy would mean less jobs available and fewer new jobs being created. However, during this rate-hike cycle, the national unemployment rate is at 3.4%, the lowest it has been since 1969 and the April employment report showed an increase of 253,000 new jobs. If this continues our economy is in for a soft landing.

Not FDIC Insured | No Bank Guarantee | May Lose Value

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