MONTHLY MARKET COMMENTARY

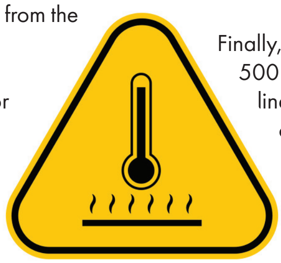
JULY 2023 Executive Summary

Benchmark Returns as of July 31, 2023

	For the Month	Year-to-Date
S&P 500	3.21%	20.64%
Dow Jones Industrial Average	3.44%	8.54%
Nasdaq	4.05%	37.07%

	For the Month	Year-to-Date
Bloomberg Aggregate Bond Index	-0.07%	2.02%
Developed International	3.24%	15.28%
Emerging Markets	6.22%	11.42%

Weather watchers spent July under heat domes and "feels like" alerts while market watchers warmed to another month of solid returns. Last month we highlighted the expanding breadth of the year-to-date stock rally. This positive development continued as all eleven of the S&P 500 sectors notched gains in July. Equities also rose around the globe. Emerging Markets – up an impressive 6.22% -- led the broad indices. In the US, earnings and the economy were in focus, along with a widely expected rate hike from the Federal Reserve.



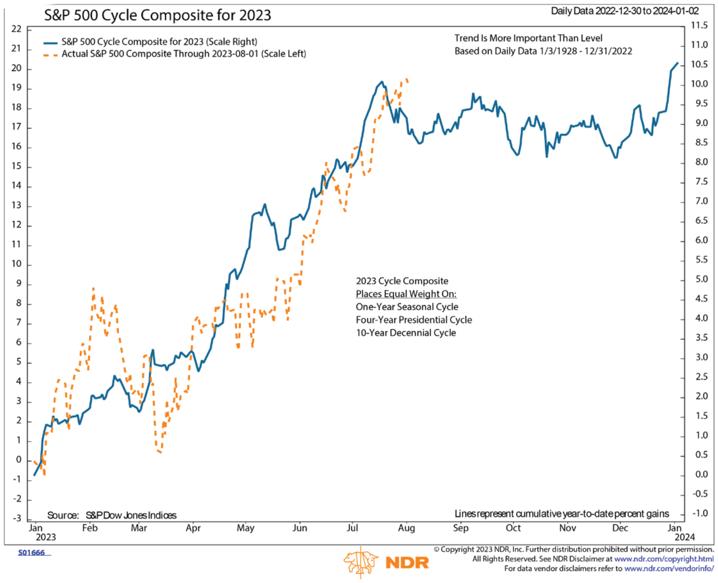
At this writing, 334 companies in the S&P 500 have reported for the second quarter with actual earnings declining 6.6% on a year over year basis (source: Refinitiv I/B/E/S). While this is the third consecutive quarter of declines, the consensus of analysts is for 2Q23 to be the bottom of this cycle. Earnings are expected to shift to growth in the second half of the year.

Headline economic reports included the major inflation measures and th first look at second quarter GDP.

- The CPI report for June showed that the overall index increased 3.0% over the last twelve months, a welcome contrast to a peak near 9% in June 2022. Likewise, the PCE price index for June increased 3.0% from the same month one year ago. The Fed is not ready to declare mission accomplished, as both measures remain above their target level of inflation.
- The first estimate of second quarter GDP surprised to the upside with a reading of 2.4%. This follows a first quarter increase of 2.0%.
- With continued evidence of growth in the overall economy, the widely held predictions of a US recession are beginning to unravel. Now, the narrative is shifting to the increasing likelihood of a "soft landing" fo the US economy as the Federal Reserve approaches the end of its rate hiking cycle. Clearly, risks remain, and we are diligent in analyzing the facts as they are reported.

The Fed's 0.25% rate hike on July 26th was broadly expected and brings the fed funds target rate to a range of 5.25% to 5.50%. The Federal Open Market Committee does not meet again until late September, but Fed watchers will be focused on comments from Chairman Jerome Powell at the Kansas City Fed's annual Economic Policy Symposium slated for August 24 – 26 in Jackson Hole, Wyoming.

Finally, with permission from NDR, Inc., we share their most recent S&P 500 Cycle Composite. If the actual S&P 500 results (dashed orange line) continue to mirror the trend (solid blue line) for the remainder of the year, the markets should not overheat, but instead maintain their year-to-date gains at a slow, steady simmer.



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