

Weekly Update – July 17, 2023

Market Returns Ending 7/14/2023			
Category	1 Week	YTD	1 Year
US			
Large Cap	2.4%	18.4%	20.9%
Mid Cap Growth	3.9%	18.7%	25.6%
Mid Cap Value	2.4%	7.5%	13.8%
Small Cap	3.6%	10.5%	14.8%
International			
Developed	4.7%	15.0%	26.8%
Emerging	4.1%	8.7%	9.1%
Bonds			
Aggregate	1.9%	2.72%	-0.6%
High Yield	1.8%	6.6%	9.0%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	1.9	2.6	3.2
Mid	2.4	2.8	3.9
Small	3.2	3.6	4.0
	YTD		
	Value	Core	Growth
Large	5.9	18.4	31.7
Mid	7.5	11.4	18.7
Small	5.0	10.5	15.9

Source: Bloomberg

Key Events: Winning the inflation fight

The 3% year-over-year CPI Data released this week confirms slowing inflation. A few “sticky” items, like housing costs and food, remain high,ⁱ and expectations are above the Fed’s target.ⁱⁱ Nevertheless, the data is trending in the right direction.

The University of Michigan Consumer Sentiment reading roared back this week, driven by both current conditions and expectations for the future.

Market Review: Back to winning ways

Stocks are winning again; the S&P 500 was up 2.4% for the week. Additionally, stock strength appears to be broad, as; US mid and small cap, international, and emerging market stocks all rose.

Bonds experienced strong returns as calm inflation data lowered future interest rate expectations.

Outlook: How to think in uncertain times

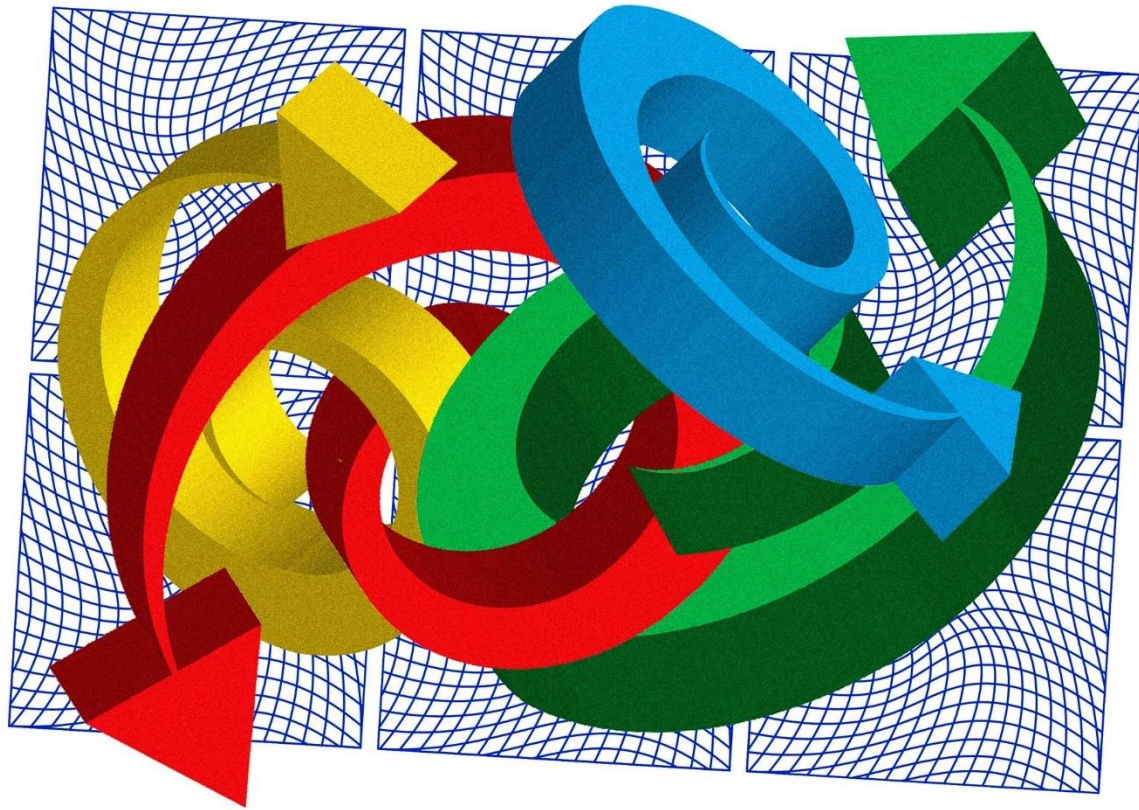
As we discussed last week, there is a wide divergence between the most optimistic forecast (for a further 10% S&P 500 gain) and the most negative (a 27% loss) in the second half of 2023.ⁱⁱⁱ You might think The Wall Street Journal would have some insights, yet the chart below shows that they are firmly in the “confusion” camp.

We have a framework to make decisions and manage portfolios through times of uncertainty. Tune into our Q3 market update webinar on July 18 to hear our perspectives.

[Register](#)

Direction of the stock market – according to the Wall Street Journal^{iv}





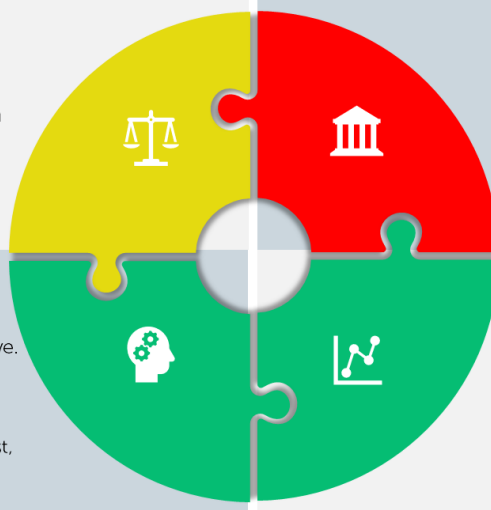
Navigator Outlook: July 2023

VALUATION

- Market advances have taken the S&P 500 to a modestly overvalued position.
- Mega-caps still dominate; Apple is now worth more than the Russell 2000 small cap index.
- For the first time 20 years, both cash and the broad bond market yield more than S&P 500 earnings yield (inverse of P/E ratio).

SENTIMENT

- After spending more than a year in negative territory, Investor sentiment has turned positive.
- Consumer sentiment has recovered strongly from the historically low levels seen in 2022
- A shift in both measures from significant pessimism to current optimism has, in the past, allowed for strong equity returns.



ECONOMY

- The US Manufacturing PMI, a widely followed benchmark, is in recessionary territory.
- However, recent economic data has been coming in better than these low expectations.
- Stock earnings estimates have begun to indicate a return to earnings growth.

TECHNICAL

- The stock market broadened out in June; the Advance/decline line broke above 2021 levels.
- Most broad stock markets remain in solid up-trends and are above their moving averages.
- The S&P technology sector, the biggest driver of returns in 2023, has fully recovered its 2022 losses. A continued move above current levels would be a positive sign for markets.



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ⁱ Source: Federal Reserve Bank of Atlanta [Sticky-Price CPI- Federal Reserve Bank of Atlanta \(atlantafed.org\)](https://atlantafed.org)

ⁱⁱ Source: University of Michigan Consumer Sentiment Survey

ⁱⁱⁱ Source: Bloomberg [Wall Street Forecasters, Blindsided by Tech Stock Rally, Divided on 2023 Outlook - Bloomberg](#)

^{iv} Source: Wall Street Journal [If You Find the Economy Confusing, Don't Worry: It Is - WSJ](#)

^v Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield