

# Friday Forethought

For week ending April 14<sup>th</sup> 2023

## Inflation is Easing, and Economy is Slowing, but is it Enough for the Fed?

Some of the headlines this week included news that wholesale inflation posted its biggest drop since the start of the pandemic; Producer Price Index (PPI) slowed; price pressures continued to ease, and the U.S. labor market appears to be gradually losing steam.

The slowing momentum in the economy was underscored by other data from the Labor Department on Thursday - showing producer March prices falling by the most in nearly three years. The March PPI declined more than expected and Americans filing new claims for unemployment benefits increased more than expected – further evidence that labor market conditions are gradually easing as higher borrowing costs dampen demand in the economy. The Consumer Price Index (CPI) came in lower than expected, but even though last month's reading showed inflation may be easing (from 6% to 5% year over year CNBC.com), the overall rate is still well above the Fed's 2% target. As such, experts are not unanimous as to whether the labor market and inflation are cooling fast enough to stop the Federal Reserve from raising interest rates one more time next month.

### Our Take



The market has been poised to potentially go up on any positive news, and this week, the PPI number was quite a bit better than expected, and as such had a positive ripple effect on the market. Investors appear to have found comfort in the potentiality that the Fed may not feel the need to raise rates at the May meeting. We expect volatility to remain into the second half of this year, and we will see equities fluctuate accordingly. If you have the time horizon and tolerance, there will continue to be some good value opportunities in the equity space. Even though rates have been dropping a bit, there are still some attractive opportunities in the fixed income space

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#### Leading Trends

The S&P 500 Communication Services and The S&P 500 Information Technology Sector are the leading sectors year-to-date: up 23.34% and up 20.26% respectively.

#### Lagging Trends

The S&P 500 Financials Sector and The S&P 500 Industrials Sector are the lagging sectors year-to-date: down 4.99% and down 1.77% respectively.

#### Weekly Markets

↑	S&P 500	4,146.22	+1.00%
↑	NASDAQ	12,166.27	+0.65%
↑	DJIA <sup>1</sup>	34,029.69	+1.63%

<sup>1</sup>Dow Jones Industrial Average

↑	10-YR US Treasury	3.446%	+13.89 bps
↑	GOLD	2,054.70	+1.53%
↑	OIL	82.31	+2.30%

Market close 4-6-2023 to market close 4-13-2023

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