

March 06, 2023

Weekly Viewpoint

Powell and Payrolls on Deck

Performance for Week Ending 3.3.2023

The Dow Jones Industrial Average (Dow) finished up 1.75%, the Wilshire 5000 Total Market IndexSM (Wilshire 5000SM) added 1.92%, the Standard & Poor's 500 Index (S&P 500) gained 1.90% and the Nasdaq Composite Index (NASDAQ) tacked on 2.58%. Sector breadth was positive with 9 of the 11 S&P sector groups closing higher. The Materials sector (+4.02%) was the best performer followed by Communication Services (+3.27%) and Industrials (+3.25%). On the downside the Utilities sector (-0.69%) was the worst performer.

Index*	Closing Price 3/3/2023	Percentage Change for Week Ending 3/3/2023	Year-to-Date Percentage Change Through 3/3/2023
Dow	33390.97	+1.75%	+0.74%
Wilshire 5000	40450.95	+1.92%	+6.24%
S&P 500	4045.64	+1.90%	+5.37%
Nasdaq	11689.01	+2.58%	+11.68%

Market Observations: 2/27/23 – 3/3/23

The S&P 500 finished the week solidly higher, breaking a three-week losing streak, as investors bet the Federal Reserve won't raise rates beyond what is already priced into the market. According to Bloomberg's World Interest Rate Probability tool, fed fund futures are expected to peak in a range of 5.25-5.50% versus the current range of 4.50-4.75%. During the week, Atlanta Fed President Raphael Bostic told reporters that he "still very firmly" supports raising rates in quarter-point increments as officials determine just how high rates should rise to restrain economic activity. "Slow and steady in this is going to be the appropriate course of action," he said. Bostic added that the central bank could possibly pause its rate hiking campaign sometime this summer. In the week ahead, Fed Chairman Powell will be given an opportunity to update lawmakers on the Fed's thinking in his semi-annual testimony on Capitol Hill.

Economic Data – A Mixed Bag: On the manufacturing front, the ISM manufacturing index rose to 47.7 in February, the first advance in six months, but was short of the 48.0 reading expected by forecasters (note:

reading below 50.0 signal contraction). The prices component of the report jumped 6.8 points to 51.2, the biggest increase since December 2020. Mortgage rates climbed last week to the highest level since mid-November—6.71% on a 30-year fixed—and mortgage applications fell to the lowest level since 1995. U.S. durable-goods orders fell by a sharper-than-expected 4.5% in January, though new orders for nondefense capital goods excluding aircraft—a closely watched proxy for business investment—increased 0.8% from the prior month. Meanwhile, the housing market may be showing some early signs it is beginning to thaw, as pending home sales increased in January for the second straight month, up 8.1% from December. The ISM services index remained stable at 55.1 in February, a sign that the rebound in the index in January was not an anomaly and that services sector activity remains strong. Both new orders and employment indices reached their highest levels in over a year.

Fourth Quarter Earnings: Q4 earnings season is just about wrapped up and while reported results were lackluster, they were no worse than feared. As of Friday 496, members of the S&P 500 have reported results with just over 68% surprising to the upside. Aggregate earnings growth for the group is down 3.0% from a year ago, essentially in line with the forecasted 3.3% decline at the start of earnings season. On the sector level, the strongest growth has come from the Energy, Industrials, and Consumer Discretionary sectors, whereas, Materials and Communication Services have delivered the weakest results.

The Week Ahead: On the data front, all eyes will be on Friday's payroll report, which will be the last one ahead of the March 22 Fed meeting. After the January nonfarm payrolls print came in well above expectations at 517k, and the recent CPI report showed stickier-than-expected price pressures, Fed speakers have been telegraphing the likelihood of a higher terminal rate. According to Bloomberg, economists are expecting February nonfarm payrolls to advance by 200K and for the unemployment rate to hold steady at 3.4%. Other notable economic data releases include factory orders on Monday, consumer credit on Tuesday and the JOLTS Job Openings and ADP Employment Change reports on Wednesday. Meanwhile, Fed Chair Powell will present the semiannual Monetary Policy Report to the Senate Banking Committee on Tuesday and to the House Financial Services Committee on Wednesday.

Definitions

The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Wilshire 5000 Total Market IndexSM represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Nasdaq Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

This material contains opinions of the author, but not necessarily those of Guggenheim Partners, LLC, or its subsidiaries. The opinions contained herein are subject to change without notice. Forward-looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.

Investing involves risk, including the possible loss of principal.

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Distributors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Partners Advisors, LLC, Guggenheim Corporate Funding, LLC, Guggenheim Partners Europe Limited, Guggenheim Partners Japan Limited, GS GAMMA Advisors, LLC, and Guggenheim Partners India Management. Securities offered through Guggenheim Funds Distributors, LLC, an affiliate of Guggenheim, SI, GFIA and GPIM.

©2023 Guggenheim Investments. All rights reserved. #56423