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Market Insights - January 6, 2023

U.S. STOCK MARKETS ADVANCE ON THE FIRST TRADING WEEK OF THE YEAR, ENCOURAGED BY BETTER-THAN-EXPECTED JOBS DATA

- Equity markets rang in the first week of the new year with a gain, driven by a solid rally on Friday, as all the major U.S. equity markets jumped more than 2% on the day
- The smaller-cap Russell 2000 led the way with a weekly gain of 1.8%, followed by the DJIA (+1.5%), the S&P 500 (+1.4%) and NASDAQ (+1.0%)
- Nine of the 11 S&P 500 sectors ended the week with a gain, led by Communication Services (+3.7%), Materials (+3.5%), and Financials (+3.3%)
- The Energy Sector (-0.1%) and Health Care (-0.2%) were the two sectors that lost money
- The ADP Employment Change report came in stronger than expected
- In stock news, Amazon and Salesforce both announced big job cuts, with Amazon announcing layoffs of 18,000 positions and Salesforce announcing a 10% cut to its workforce
- The December ISM Non-Manufacturing Index fell into contraction territory for the first time since May 2020
- The 2-year Treasury yield dropped 15 basis points to 4.27% and the 10-year Treasury fell 32 basis points to 3.56%
- WTI Crude shed about $7/barrel, coming to rest at $73.73/barrel at week's end

Weekly Market Update – January 6, 2022

	Close	Week	YTD
DJIA	33,631	+1.5%	+1.5%
S&P 500	3,895	+1.4%	+1.4%
NASDAQ	10,569	+1.0%	+1.0%
Russell 2000	1,793	+1.8%	+1.8%
MSCI EAFE	1,997	+2.7%	+2.7%
Bond Index*	2,086.58	+1.60%	+1.60%
10-Year Treasury	3.56%	-0.32%	-0.32%

**Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results*

Markets Kick-off 2023 With Positive Returns

A big rally on Friday helped push stock markets into positive territory at the end of the first trading week of 2023. Trading volume was light, but a positive jobs report got investors off the sidelines and hopeful that the Fed will reduce its rate hike pace and magnitude some.

Interestingly, after Wednesday, optimists noted that the markets technically turned in a net gain over the Santa Claus rally timeframe, which is the last 5 trading days of the year and the first two of the New Year. Historically, that has been a good yearly omen for stock investors.

Investors received a number of economic reports, including:

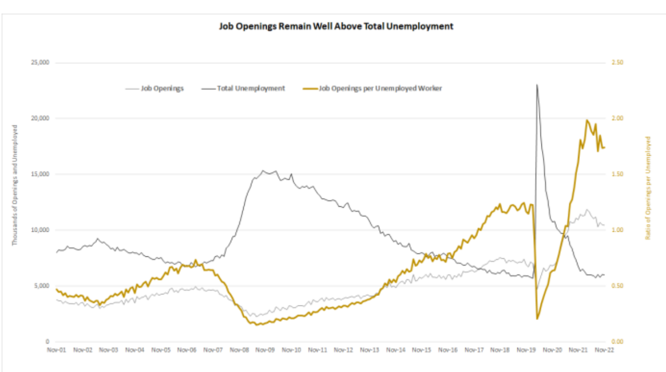
- A surprise increase in construction spending in December
- An increase in private sector jobs of 235,000 in December
- A surprise weekly jobless claims report, which came in at its lowest level since September
- A surprise that unemployment fell to 3.5%
- A 0.3% rise in average hourly earnings
- A rise in the labor participation rate to 62.3%
- A surprise that the Institute for Supply Management's index of services sector activity dropped to 49.6, which is contraction territory

Encouraging Jobs Data

The Department of Labor reported that initial claims came in at 204,000, a decrease of 19,000 from the previous week's revised level. In addition, the 4-week moving average was 213,750, a decrease of 6,750 from the previous week's revised average.

In addition:

- The unemployment rate fell to 3.5% in December, matching a 50-year low
- There are currently 10.4 million job openings in the U.S.
- This translates to more than 1.7 job openings for every unemployed worker



Source: St. Louis Fed

Mortgage Applications Drop as Mortgage Rates Increase

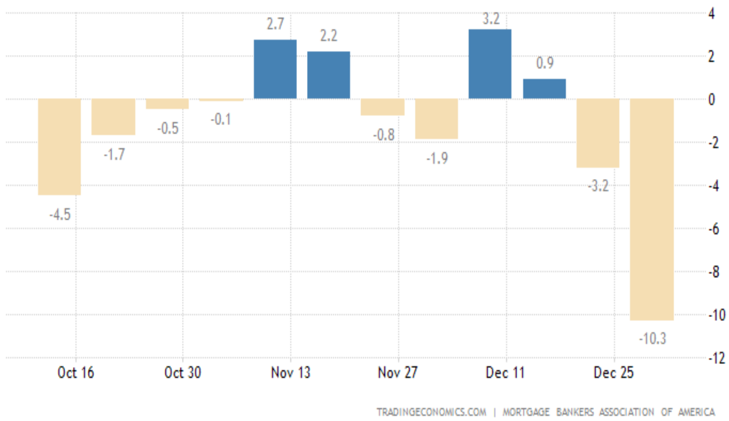
On Wednesday, the Mortgage Bankers Association announced that mortgage applications decreased 13.2% from two weeks earlier (and include adjustments to account for the holidays).

- The Market Composite Index, a measure of mortgage loan application volume, decreased 13.2% on a seasonally adjusted basis from two weeks earlier.
- On an unadjusted basis, the Index decreased 39.4% compared with the two weeks ago.
- The holiday adjusted Refinance Index decreased 16.3% from the two weeks ago and was 87% lower than the same week one year ago.
- The seasonally adjusted Purchase Index decreased 12.2% from two weeks earlier.
- The unadjusted Purchase Index decreased 38.5% compared with the two weeks ago and was 42% lower than the same week one year ago.

"The end of the year is typically a slower time for the housing market, and with mortgage rates still well above 6% and the threat of a recession looming, mortgage applications continued to decline over the past two weeks to the lowest level since 1996. Purchase applications have been impacted by slowing home sales in both the new and existing segments of the market. Even as home-price growth slows in many parts of the country, elevated mortgage rates continue to put a strain on affordability and are keeping prospective homebuyers out of the market."

- The refinance share of mortgage activity increased to 30.3% of total applications from 28.8% the previous week.
- The adjustable-rate mortgage (ARM) share of activity decreased to 7.3% of total applications.
- The FHA share of total applications increased to 14.0% from 13.1% the week prior.
- The VA share of total applications increased to 13.4% from 12.0% the week prior.
- The USDA share of total applications remained unchanged at 0.6%.

MBA Mortgage Applications Over the Past Year



Increases to Mortgage Rates

- The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances ($647,200 or less) increased to 6.58% from 6.42%, with points increasing to 0.73 from 0.65 (including the origination fee) for 80% loan-to-value ratio (LTV) loans. The effective rate increased from last week.

- The average contract interest rate for 30-year fixed-rate mortgages with jumbo loan balances (greater than $647,200)remained at 6.12%, with points increasing to 0.45 from 0.37 (including the origination fee) for 80% LTV loans. The effective rate increased from last week.

- The average contract interest rate for 15-year fixed-rate mortgages increased to 6.06% from 5.97%, with points increasing to 0.70 from 0.57 (including the origination fee) for 80% LTV loans. The effective rate increased from last week.

Sources: dol.gov; mba.org; msci.com; fidelity.com; Nasdaq.com; wsj.com; morningstar.com