WEEKLY MARKET UPDATE | MAY 12, 2023

X-date with destiny.

The economy

- U.S. equities finished mixed for the week ending May 12. There were periods of volatility in response to the latest developments in the politically charged debt-ceiling standoff, ongoing concerns about the stability of regional banks, as well as economic data. Two of the three major market indexes recorded modest losses, while the tech-heavy Nasdaq Composite ended the week in positive territory.
- Following a meeting with Congressional leaders of both major political parties, President Biden did not dismiss the possibility of invoking the 14th Amendment to the U.S. Constitution to raise the government's $31.4 trillion debt limit to avoid a default. Republicans in the House of Representatives recently passed legislation that would tie an increase in the debt ceiling to targeted spending cuts, which are opposed by the Biden administration and the Democratic Party majority in the U.S. Senate. The 14th Amendment states that U.S. debt authorized by law "shall not be questioned."
- During a news conference at the meeting of the finance ministers of the countries of the G7 (an intergovernmental organization comprised of the world's largest developed economies) in Niigata, Japan on Thursday, U.S. Treasury Secretary Janet Yellen said that invoking the 14th amendment would be "legally questionable." She reiterated her concerns that the U.S. government may not be able to pay its debts as early as June 1 (the "X-date") if Congress fails to authorize additional borrowing. A U.S. default could have severe consequences on the U.S. and global economies. Yellen commented that, if the debt ceiling is not raised, "there is no good alternative that will save us from catastrophe."
- Stock prices of several regional banks gyrated as a selloff, fueled by investors' uncertainty about the sector, was partially offset by bargain-hunting. Most notably, shares of a California-based regional bank tumbled after it reported a sharp drop in deposits.
- According to the U.S. Department of Labor, the consumer-price index (CPI) advanced 0.4% in April, up from the 0.1% rise in March. The CPI posted a slightly lower-than-expected year-over-year gain of 4.9%—the smallest annual increase since April 2021. The accelerated pace of inflation in April was due to higher costs for housing, used cars and trucks, and gasoline. These increases more than offset declines in prices for fuel oil and utility gas service. Core inflation, as measured by the CPI for all items less food and energy, recorded a second consecutive monthly increase of 0.4% in April. The index climbed 5.5% over the previous 12 months—down marginally from the 5.6% annual rise in March. The CPI data contributed to speculation that the Federal Reserve may pause its interest rate-hiking cycle, which began in March 2022, during its next meeting in mid-June.
- The Department of Labor also reported that the producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, was up 0.2% in April, following a 0.4% decline in March. Prices for services and goods rose 0.3% and 0.2%, respectively, for the month. The increase in costs for services was due mainly to higher prices for portfolio management. A rise in energy costs, particularly for gasoline, was the primary factor in the increase in prices for goods in April. Conversely, food costs fell 0.5% for the month. The PPI rose 2.3% versus the same period a year earlier—the smallest annual increase since January 2021.
- According to the University of Michigan's Index of Consumer Sentiment, concerns about the trajectory of the U.S. economy and the debt-ceiling standoff appear to be weighing on consumer confidence. The index fell 9.1% in May, erasing more than half of the gains registered after the historically low reading in June 2022. The Current Economic Conditions Index and the Index of Consumer Expectations were down 5.4% and 11.7%, respectively, in May. Additionally, year-ahead inflation expectations dipped 0.1% to 4.5% for the month.

Stocks

- Global equities closed down for the week. Emerging markets fared better than developed markets.
- U.S. equities recorded mixed returns. Telecommunications and consumer discretionary were the top performers, while materials and energy lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield rose during the week.
- Global bond markets advanced for the week.
- Government bonds led the markets, followed by high-yield bonds and corporate bonds.

The Numbers as of May 12, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.3%	7.5%	5.8%	650.7
MSCI EAFE ($)	-0.7%	9.6%	11.6%	2130.2
MSCI Emerging Mkts ($)	-0.4%	2.2%	-1.0%	977.8
US & Canadian Equities				
Dow Jones Industrials ($)	-1.1%	0.5%	4.9%	33300.6
S&P 500 ($)	-0.3%	7.4%	4.9%	4124.1
NASDAQ ($)	0.4%	17.4%	8.0%	12284.7
S&P/ TSX Composite (C$)	-0.6%	5.3%	3.7%	20419.6
UK & European Equities				
FTSE All-Share (£)	-0.4%	3.7%	5.6%	4224.1
MSCI Europe ex UK (€)	-0.4%	10.7%	10.9%	1639.8
Asian Equities				
Topix (¥)	1.0%	10.8%	14.6%	2096.4
Hong Kong Hang Seng ($)	-2.1%	-0.8%	1.3%	19627.2
MSCI Asia Pac. Ex-Japan ($)	-0.5%	1.7%	0.3%	514.3
Latin American Equities				
MSCI EMF Latin America ($)	1.9%	7.8%	3.8%	2294.1
Mexican Bolsa (peso)	0.0%	13.4%	11.4%	54948.3
Brazilian Bovespa (real)	3.2%	-1.2%	2.6%	108463.8
Commodities ($)				
West Texas Intermediate Spot	-1.8%	-12.7%	-34.0%	70.0
Gold Spot Price	-0.2%	10.4%	10.3%	2013.7
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.1%	3.7%	-1.5%	462.4
JPMorgan Emerging Mkt Bond	0.4%	3.1%	2.2%	792.1
10-Year Yield Change (basis points*)				
US Treasury	2	-41	61	3.46%
UK Gilt	0	11	212	3.78%
German Bund	-2	-29	144	2.27%
Japan Govt Bond	-3	-3	14	0.39%
Canada Govt Bond	-3	-42	-3	2.88%
Currency Returns**				
US$ per euro	-1.5%	1.4%	4.5%	1.085
Yen per US$	0.7%	3.5%	5.8%	135.73
US$ per £	-1.5%	3.0%	2.0%	1.245
C$ per US$	1.4%	0.0%	3.9%	1.356

Source: Bloomberg. Equity-index returns are price only, others are total return.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.