WEEKLY MARKET UPDATE | AUGUST 25, 2023

U.S. stocks step over the (Jackson) hole.

The economy

- U.S. equities saw mixed performance during the week ending August 25. Earlier in the week, investors were concerned about the direction of U.S. Federal Reserve (Fed) monetary policy prior to Fed Chair Jerome Powell's remarks at the Kansas City Fed's annual economic symposium in Jackson Hole, Wyoming. However, the market's reaction to Powell's speech at the end of the week was relatively muted.
- The Dow Jones Industrial Average recorded a small negative return during the week. The modest upturns in the broad-market S&P 500 Index and tech-heavy Nasdaq Composite Index were concentrated in just a few mega-cap tech stocks, most notably a major provider of artificial intelligence (AI) hardware and software. The company reported stronger-than-expected second-quarter results, and Wall Street analysts raised their price targets for the stock. We acknowledge the robust results and the vast potential of AI overall, but we remain skeptical of current valuations. Additionally, we believe that the S&P 500 Index has reached an extremely concentrated position, with the 10 largest constituents comprising over 30% of its market capitalization.
- Powell reiterated the Fed's goal of reducing the annual rate of inflation to 2%, and said that the central bank would consider additional interest-rate hikes if needed. Powell commented, "We are committed to achieving and sustaining a stance of monetary policy that is sufficiently restrictive to bring inflation down to that level over time." He also noted that the Federal Open Market Committee "will assess our progress based on the totality of the data and the evolving outlook and risks. Based on this assessment, we will proceed carefully as we decide whether to tighten further or, instead, to hold the policy rate constant and await further data."
- While the Jackson Hole symposium has been a catalyst in the past for big market moves, it appeared that Powell delivered a "data-dependency" speech, which did not substantially "move the needle" for investors. We at SEI maintain our view that one more interest-rate hike will be needed, most likely after another pause at the FOMC's next meeting on September 19-20. "Higher for longer" has been our view, and we are not surprised to see yields find a new, higher range.
- According to the National Association of Realtors (NAR), sales of existing homes fell 2.2% in July and were down 16.6% versus the same period a year earlier. However, the median existing-home sale price rose 1.9% year-over-year to $406,700—just 1.7% below the all-time high of $413,800 recorded in June 2022. (Home sales are viewed as an indicator of housing market trends, and by extension, the health of the broader economy.) The inventory of unsold existing homes as of the end of July stood at 1.11 million, up modestly from 1.08 million at the end of the previous month. The total is equivalent to a 3.3-month supply at the current monthly sales pace. According to the NAR, a six-month supply of homes historically has indicated a "balanced market," in which prices rise modestly. Inventories of greater than six months typically favor buyers, while a supply of homes that will be depleted in less than six months constitutes a "seller's market."
- The U.S. Census Bureau reported that sales of new single-family homes exceeded expectations in July, rising to a seasonally adjusted annual rate of 714,000, as more buyers sought new houses due to an ongoing shortage of existing homes on the market. This represents an increase of 4.4% from the previous month and 31.5% year-over-year. At the end of July, the seasonally-adjusted estimate of new homes for sale was 437,000, which represents a 7.3-month supply at the current rate of sales.
- The Census Bureau also announced that new orders for durable goods fell 5.2% to $285.9 billion in July, following a 4.4% gain in June. The decrease in July was due to a significant downturn in orders for transportation equipment. However, excluding transportation, new orders increased 0.5% for the month. Durable goods orders data provide a gauge of the status of the supply chain and the level of confidence that businesses and consumers have in the U.S. economy.

Stocks

- Global equities closed up for the week. Emerging markets fared better than developed markets.
- U.S. equities were mixed during the week. Information technology and consumer discretionary outperformed other sectors, while energy and consumer staples lagged. Growth stocks led value, while large caps outperformed small caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 4.23% during the week.
- Global bond markets rose for the week.
- Corporate bonds led the markets, followed by high-yield bonds and government bonds.

The Numbers as of August 25, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.5%	10.7%	4.2%	669.9
MSCI EAFE ($)	0.8%	6.7%	9.2%	2073.7
MSCI Emerging Mkts ($)	1.9%	2.7%	-2.1%	982.3
US & Canadian Equities				
Dow Jones Industrials ($)	-0.4%	3.6%	3.2%	34346.9
S&P 500 ($)	0.8%	14.7%	4.9%	4405.7
NASDAQ ($)	2.3%	29.8%	7.5%	13590.7
S&P/ TSX Composite (C$)	0.1%	2.3%	-1.7%	19835.8
UK & European Equities				
FTSE All-Share (£)	0.9%	-1.9%	-2.6%	3998.1
MSCI Europe ex UK (€)	0.8%	8.2%	8.2%	1602.1
Asian Equities				
Topix (¥)	1.3%	19.8%	14.7%	2266.4
Hong Kong Hang Seng ($)	0.0%	-9.2%	-10.1%	17956.4
MSCI Asia Pac. Ex-Japan ($)	1.6%	-0.3%	-3.6%	504.2
Latin American Equities				
MSCI EMF Latin America ($)	2.0%	12.8%	7.1%	2401.4
Mexican Bolsa (peso)	0.0%	9.8%	11.5%	53197.6
Brazilian Bovespa (real)	0.4%	5.6%	2.1%	115923.2
Commodities ($)				
West Texas Intermediate Spot	-0.9%	0.3%	-13.5%	80.5
Gold Spot Price	1.1%	4.7%	8.6%	1910.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.3%	0.1%	-1.7%	446.4
JPMorgan Emerging Mkt Bond	0.8%	3.3%	2.7%	793.3
10-Year Yield Change (basis points*)				
US Treasury	-2	36	120	4.23%
UK Gilt	-23	77	182	4.44%
German Bund	-6	-1	125	2.56%
Japan Govt Bond	3	24	43	0.66%
Canada Govt Bond	-1	40	69	3.70%
Currency Returns**				
US$ per euro	-0.7%	0.9%	8.2%	1.080
Yen per US$	0.7%	11.7%	7.3%	146.41
US$ per £	-1.2%	4.2%	6.4%	1.259
C$ per US$	0.4%	0.4%	5.3%	1.361

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

*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.

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