

*“The only way around is through.” – Robert Frost*

## MARKETS

**Macro Recap:** The holiday shortened July 4th week provided some noise globally and domestically. Geopolitical concerns about global growth were part of the mix early in the week following the news that Services PMI readings out of China and the eurozone were weaker than expected. The U.S. announced that it is looking to restrict China's access to cloud computing. China fired back that foreign entities will have to request permission to export gallium and germanium. After exceeding the consensus forecast of economists for 14 months in a row, Nonfarm payrolls fell modestly below expectations in June. Employers added 209,000 jobs—short of expectations for around 240,000—to record the smallest monthly gain since December 2020. The unemployment rate slipped to 3.6%. Friday's Nonfarm result followed a stronger than expected ADP Employment Change. Friday's employment situation indicated that payroll gains were less robust than the ADP report reflected. Wednesday's release of minutes from the U.S. Federal Reserve's mid-June meeting reinforced expectations that we are likely to see further interest-rate increases this year. The minutes showed that most Fed officials expected there would be a need for further hikes, and some nonvoting members wanted to continue raising rates at their June meeting, rather than pause the rate-hiking cycle. A 25-basis points rate hike in July is priced into market forecasts while expectations for rate hikes at future meetings increased during the week. Rate hike probabilities could turn higher next week after the June Consumer Price Index report on Wednesday.

**Equity Recap:** This holiday-shortened week started out slow for the stock market as many participants extended the Fourth of July break into a four-day weekend. After the holiday break, market participants found some catalysts to take money off the table after the strong start to the year for stocks. Only one of the 11 S&P 500 sectors increased this week -- real estate (+0.2%) -- while the utilities (-0.2%), communication services (-0.3%), and consumer discretionary (-0.3%) sector saw the slimmest declines. The worst performers included health care (-2.9%), materials (-2.0%), and information technology (-1.5%) sectors.

**Bonds/Rates Recap:** Renewed worries about the outlook for more interest-rate increases sent yields of U.S. government bonds higher for the second week in a row. The yield of the 10-year Treasury bond climbed from 3.84% to 4.05%—the highest level in four months—and the 2-year note briefly eclipsed 5.00% on Thursday before setting below that threshold on Friday.

## INDICES

	Current	Week Ago	Weekly, %/BP Chg	12/31/22	YTD Change
DJIA	33,735	34,408	-2.0%	33,147	1.8%
S&P 500	4,399	4,450	-1.1%	3,840	14.6%
NASDAQ	13,661	13,788	-0.9%	10,466	30.5%
Russell 2000	1,865	1,889	-1.3%	1,761	5.9%
KBW Bank Indx	80.7	80.2	0.6%	100.9	-20.0%
VIX	14.8	13.6	8.9%	21.7	-31.7%
Oil (WTI)	\$73.86	\$70.64	4.6%	\$80.26	-8.0%
Prime	8.25	8.25	0.00	7.50	0.75
BTFP Rate	5.54	5.25	0.29	4.50	1.04
3m Tbill	5.34	5.28	0.06	4.34	1.00
2yr UST	4.94	4.90	0.04	4.43	0.51
10yr UST	4.05	3.84	0.21	3.87	0.18
2-10yr UST Spread	-0.89	-1.06	0.17	-0.56	-0.33
2y AAA Muni/10y UST	60.0%	59.5%	0.5%	60.4%	-0.3%
10y AAA Muni/10y UST	64.4%	66.5%	-2.1%	68.1%	-3.8%
5yr Inflation Rate	2.23	2.19	0.04	2.38	-0.15

**WEEK AHEAD – WED: JUNE CPI, THURS: JUNE PPI, FRI: UOM CONSUMER SENTIMENT**

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