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In this week's recap: Markets cautious after banking woes; awaiting Fed reaction.

Weekly Economic Update

Presented by Don Clark MBA, CFP[®], March 20, 2023

THE WEEK ON WALL STREET

Amid the reverberations of two U.S. banks being taken over by regulators and the spread of uncertainty to European banks, stocks trended higher last week on the strength of the technology sector.

The Dow Jones Industrial Average was flat (-0.15%), while the Standard & Poor's 500 rose 1.43%. The Nasdaq Composite index picked up 4.41%. The MSCI EAFE index, which tracks developed overseas stock markets, was also flat (+0.05%).^{1,2,3}

STOCKS GAIN DESPITE BANKING WOES

Stock prices gyrated as investors wrestled with banking troubles that appeared to spread to Europe. Worries of financial instability rocked financials and sent bond yields falling. While the rush into Treasuries was expected, the dash into technology stocks was a surprise. Falling yields made the high-growth names more attractive, though investors targeted their buying in high-quality companies that offered defensive characteristics, such as profits, healthy cash flows, and strong balance sheets.

When Switzerland's central bank provided a lifeline to a troubled Swiss bank, and a group of U.S. banks provided aid to a struggling regional bank, stocks powered higher on Thursday. Banking jitters, however, returned on Friday, closing out a tumultuous week and paring some of the week's gains.

REVERSE PSYCHOLOGY

Less than two weeks ago, Fed Chair Jerome Powell testified interest rates might have to be hiked higher and faster. Since then, two U.S. banks were placed in receivership, sparking worries of financial instability and changing the market's outlook on future rate hikes.

The question now is if the Fed will hike short-term rates at all. By Thursday, traders saw an 18.1% probability of no rate increase at the March Fed meeting, which concludes this Wednesday. Just a week ago, it was a 0% chance. Traders also see a 0% chance of a 50 basis point rate increase in March. A week earlier, there was a 68.3% probability. Where the market previously saw little likelihood of a rate cut this year, the probability of a rate cut by July was 63.7% by Thursday. ⁴

TIP OF THE WEEK



If you know a couple about to marry, consider giving them a non-traditional gift: a visit with a financial consultant. It could turn out to be a key step in helping them build wealth.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Existing Home Sales.

Wednesday: FOMC Announcement.

Thursday: Jobless Claims. New Home Sales.

Friday: Durable Goods Orders. Purchasing Managers' Index (PMI) Composite Flash.

Source: Econoday, March 17, 2023

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Tuesday: Nike, Inc. (NKE).

Thursday: General Mills, Inc. (GIS), Darden Restaurants, Inc. (DRI).

Source: Zacks, March 17, 2023

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“Careers aren’t defined by what you say yes to. They’re defined by what you say no to.”

BRENDA SONG

Market Index	Close	Week	Y-T-D
DJIA	31,861.98	-0.15%	-3.88%
NASDAQ	11,630.51	+4.41%	+11.12%
MSCI-EAFE	1,988.12	-3.12%	+2.27%
S&P 500	3,916.64	+1.43%	+2.01%



Treasury	Close	Week	Y-T-D
10-Year Note	3.38%	-0.31%	-0.49%

Sources: The Wall Street Journal, March 17, 2023; Treasury.gov, March 17, 2023

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, March 10, to Friday, March 17, close. Weekly performance for the MSCI-EAFE is measured from Friday, March 10, open to Thursday, March 16, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



*Five girls took part in a bicycle race. Barbara finished before Vicki but behind Susan. Katarina finished before Sara but behind Vicki.
In what order did they finish?*

LAST WEEK'S RIDDLE: You need to park a car for the weekend. You find a parking space marked "2-Hour Parking M-F, 8am-6pm" with no other restrictions. You call the city and find that overnight parking is allowed on this block. So, what is the maximum amount of time you can leave your car in this space without getting a ticket?

ANSWER: 66 hours. You can park from 4pm Friday until 10am Monday.

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CITATIONS:

1. The Wall Street Journal, March 17, 2023

2. The Wall Street Journal, March 17, 2023
3. The Wall Street Journal, March 17, 2023
4. CME FedWatch Tool, March 16, 2023



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