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In this week's recap: FOMC says inflation is still too high.

Weekly Economic Update

Presented by Don Clark MBA, CFP®, February 27, 2023

THE WEEK ON WALL STREET

Concerns over a firmer monetary policy were heightened by fresh economic data, touching off a climb in bond yields and a slide in stock prices last week.

The Dow Jones Industrial Average skidded 2.99%, while the Standard & Poor's 500 dipped 2.67%. The Nasdaq Composite index sagged 3.33% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, retreated 1.23%. ^{1,2,3}

STOCKS SLIDE

Stocks struggled last week, buffeted by growing fears of further Fed tightening and disappointing forecasts from two major retailers that called into question the consumer's health. The release of the minutes from the Federal Open Market Committee's (FOMC) last meeting did little to assuage investor worries. Reflecting these concerns of a more aggressive Fed was that by Thursday, traders were pricing in a 27% chance that the Fed might lift rates by a half-percentage point at its next meeting, far above the 1.3% chance just one month ago. ⁴

Stocks took another leg lower on Friday following the release of January's Personal Consumption Expenditures (PCE) price index, which showed hotter-than-expected price increases and more robust consumer spending.

FOMC MINUTES

Minutes from the last FOMC meeting indicated that nearly all members agreed with February's quarter-point rate increase, though some would have supported a 50 basis point rate hike to move quicker towards the Fed's target range. While the minutes suggested another 25 basis point hike is likely at their next meeting, investors remain anxious that more recent economic data may prompt a 0.50% hike instead. ⁵

The minutes stressed that inflation was still too high. However, members diverged on the economy, with some members finding the risk of recession elevated. In contrast, others feel the Fed may engineer a soft landing or avoid a recession altogether. ⁶

TIP OF THE WEEK



Those changing marital status should review their insurance coverage in light of changing needs.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Durable Goods Orders.

Tuesday: Consumer Confidence.

Wednesday: Institute for Supply Management (ISM) Manufacturing Index.

Thursday: Jobless Claims.

Friday: Institute for Supply Management (ISM) Services Index.

Source: Econoday, February 24, 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

Monday: Workday, Inc. (WDAY).

Tuesday: Occidental Petroleum Corporation (OXY), Target Corporation (TGT), AutoZone, Inc. (AZO), Ross Stores, Inc. (ROST), Agilent Technologies, Inc. (A).

Wednesday: Salesforce, Inc. (CRM), Lowe's Companies, Inc. (LOW), Dollar Tree, Inc. (DLTR).

Thursday: Broadcom, Inc. (AVGO), Costco Wholesale Corporation (COST), Best Buy Co., Inc. (BBY), Marvell Technology, Inc. (MRVL), Dell Technologies, Inc. (DELL).

Source: Zacks, February 24, 2023

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QUOTE OF THE WEEK



“Collecting more data often helps, but if you try to collect more data for everything, that can be a very expensive activity.”

ANDREW NG

Market Index	Close	Week	Y-T-D
DJIA	32,816.92	-2.99%	-1.00%
NASDAQ	11,394.94	-3.33%	+8.87%
MSCI-EAFE	2,061.45	-1.23%	+6.05%
S&P 500	3,970.04	-2.67%	+3.40%



Treasury	Close	Week	Y-T-D
10-Year Note	3.95%	+0.13%	+0.07%

Sources: The Wall Street Journal, February 24, 2023; Treasury.gov, February 24, 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, February 17, to Friday, February 24, close. Weekly performance for the MSCI-EAFE is measured from Friday, February 17, open to Thursday, February 23, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



About 90% of this country's land area is made up of arid tan desert, yet its flag was once solid green (until 2011) – in fact, at one time it was the only nation in the world with a flag containing just one color. What nation is this?

LAST WEEK'S RIDDLE: Four grown men decided to play on the sidewalk for three hours. No one chided them for childish or immature behavior; many appreciated the noise they made. They even went home a bit richer. What were these men doing?

ANSWER: The four men were street musicians.

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CITATIONS:

1. The Wall Street Journal, February 24, 2023
2. The Wall Street Journal, February 24, 2023
3. The Wall Street Journal, February 24, 2023
4. The Wall Street Journal, February 22, 2023
5. The Wall Street Journal, February 23, 2023
6. CNBC, February 22, 2023



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