Weekly Market Update

As of July 14, 2023

Note: Information on past performance, where given, is not necessarily a guide to future performance.

Global Markets – Week in Review

Cooling US CPI and PPI reports led to rallies in bond and equity markets and a selloff in the Dollar. Commodities, including gold, brent crude and copper benefited. China growth concerns increased, as exports fell again, while imports have remained flat. China officials' support for big tech companies led to a rally in the Hang Seng. Yen appreciated as markets position for a central bank tweak to YCC program at its July meeting.

	US			Europe			Asia		
Indicator	Market	Level	W-o-W Change	Market	Level	W-o-W Change	Market	Level	W-o-W Change
Rates & Credit	US 2Y	4.77%	-16 bps	German 10Y	2.48%	-16 bps	Japan 10Y	0.48%	4 bps
	US 10Y	3.83%	-22 bps	UK 10Y	4.45%	-20 bps	Australia 10Y	3.98%	-27 bps
	US IG (A3)	5.48%	-25 bps	EUR IG (A3)	4.25%	-16 bps			
	US HY (B1)	8.10%	-47 bps	EUR HY (BB3)	7.13%	-25 bps			
Equities	S&P 500	4505	2.4%	Stoxx	461	2.9%	Nikkei	32391	-0.0%
	Nasdaq	15566	3.5%	FTSE	7435	2.5%	Hang Seng	19414	5.7%
	Russell 2000	1931	3.6%	DAX	16105	3.2%	Shanghai	3238	1.3%
	CBOE VIX	13.34	-10.1%				Asia Pac x-JP	656	5.5%
Currencies	DXY	99.1	-2.3%	EUR/$	1.12	2.4%	$/JPY	138.7	-2.4%
				GBP/$	1.31	2.0%	AUD/$	0.684	2.2%
Commodities	Gold (oz)	1959	1.7%	Brent Crude	79.87	1.8%	Copper ($/lb)	3.92	4.0%

US:
- Inflation easing: June levels at lowest in more than two years
- Consumers are buoyant: sentiment increased to 72.6 in July, well above forecasts of 65.5

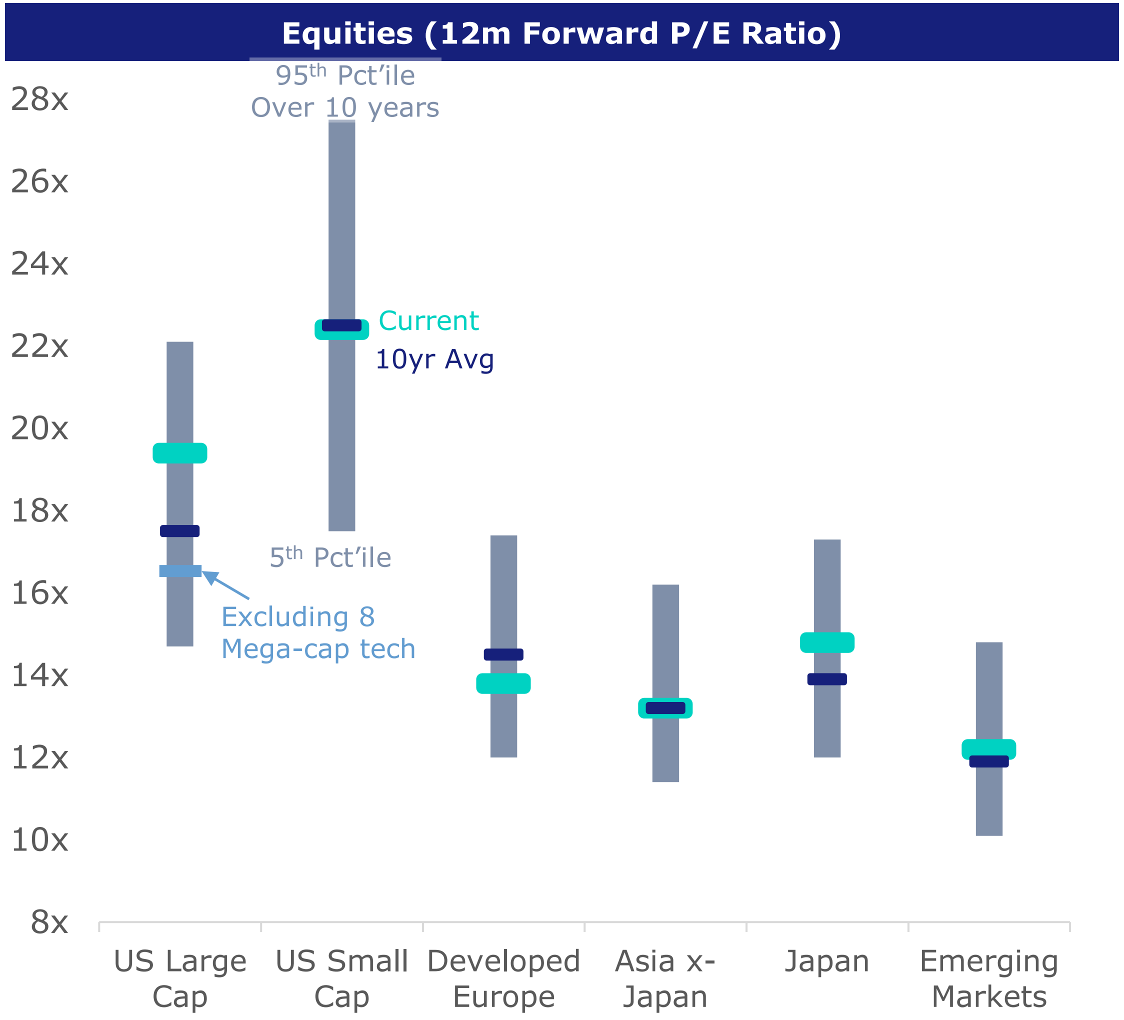
Europe:
- ZEW economic sentiment declining: Eurozone reading at -12.2 vs. -10 prior, amid higher rates and China growth doubts.

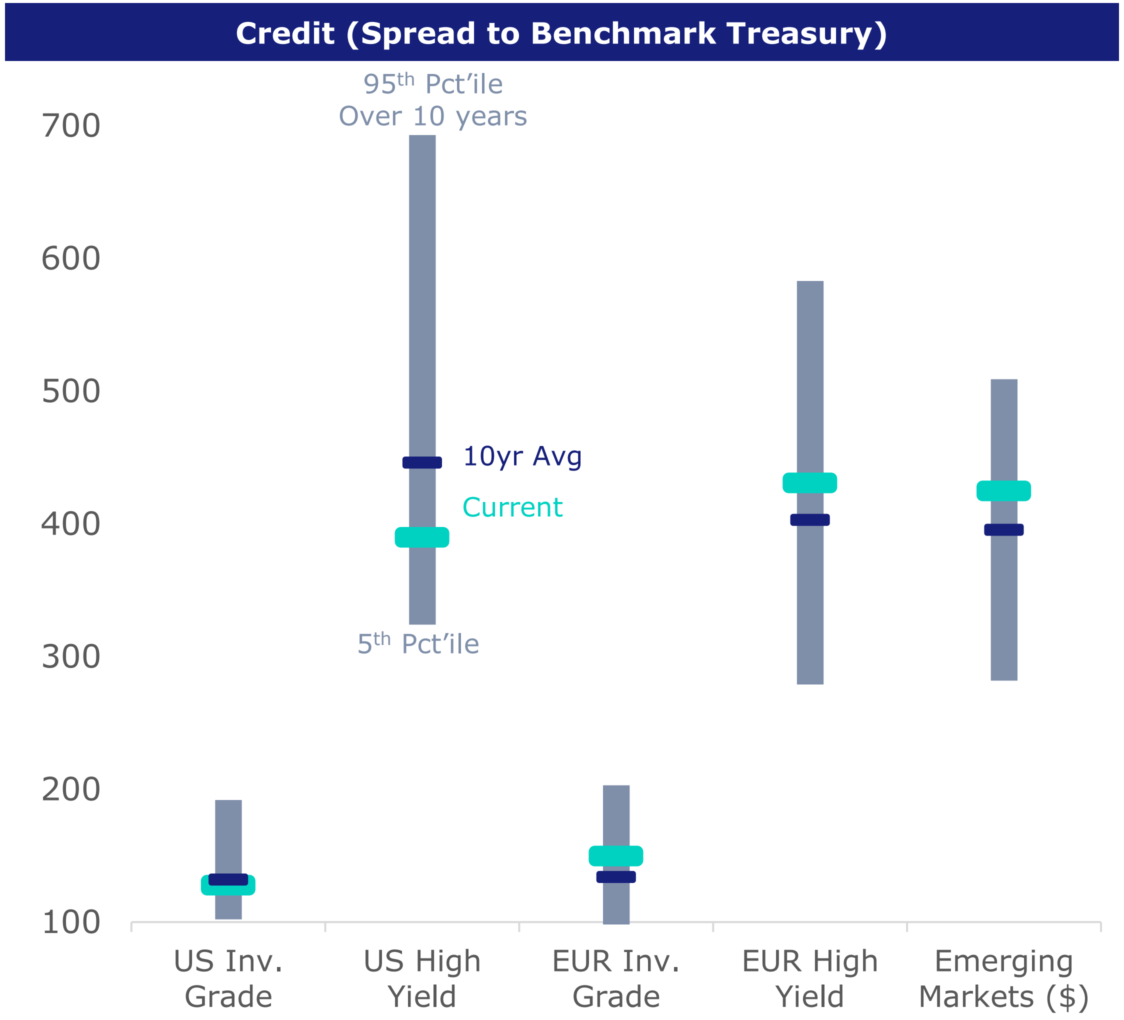
Asia:
- China growth impulse slows: CPI and PPI came much lower than estimated. Trade data showed exports fell 12.4% y/y in June, vs expected 9.5% drop.
- Yen rapidly appreciating: Former BoJ executive director says central bank may tweak YCC program at July meeting. Any tweaks could be minor but could mean a big change for the markets.

Note: Data as of 14 July 2023, unless otherwise noted.
Source: Refinitiv; Dow Jones and Federal Reserve Bank of St Louis (FRED).

Equity & Credit Valuations

US large-cap valuations remain stretched; investors now focusing on cyclical sectors that present more value - as such breadth in indices has improved. Spreads reduced across the board following positive inflation news.



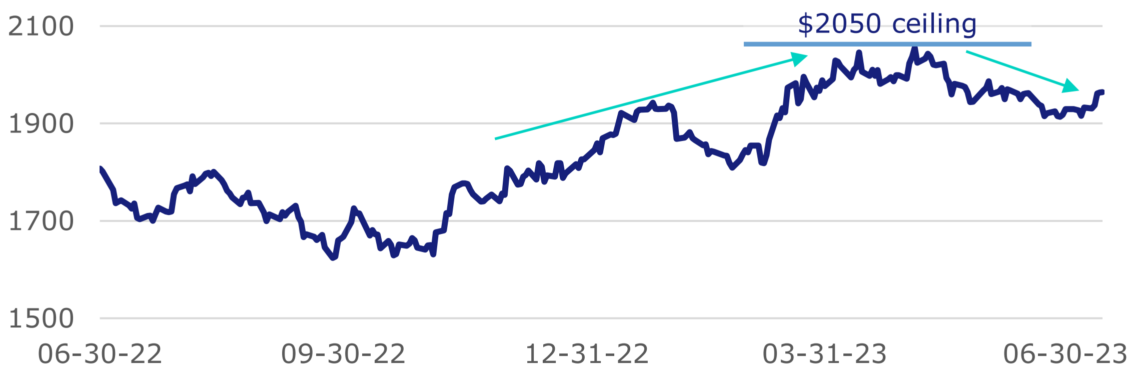


Source: Goldman Sachs, Dow Jones, Yardeni Research. US Large Cap (S&P500); US Small Cap (Russell 2000); Developed Europe (Stoxx 600); Asia x-Japan (MSCI Asia Pac ex Japan); Japan (Topix); EM (MSCI EM). Bond spreads per ICE BofA series of option adjusted spreads and JPM EMBI Global.

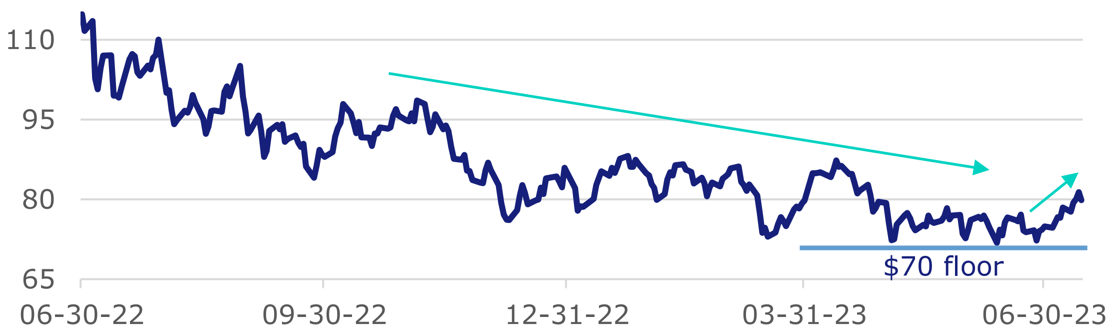
Commodities

Commodities benefited from the lower US Dollar and rates. The broad commodity index appears to have bottomed and may continue rise should the US dollar depreciate against major currencies. Brent crude and copper are supported by supply constraints.

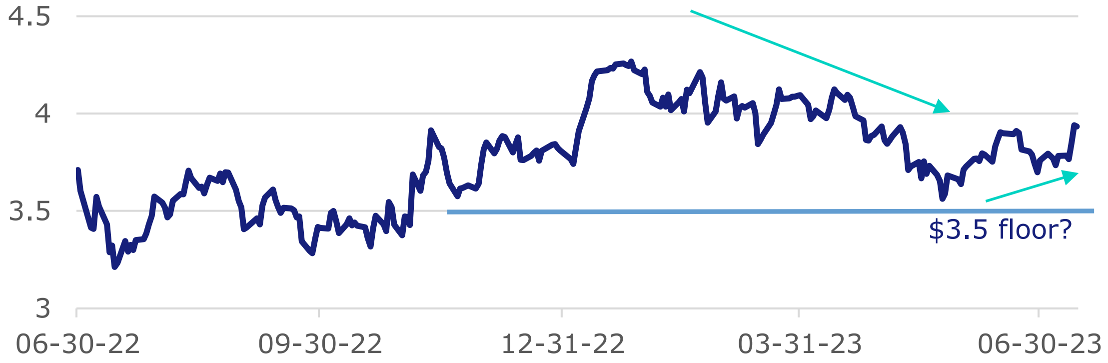
Gold ($/oz)



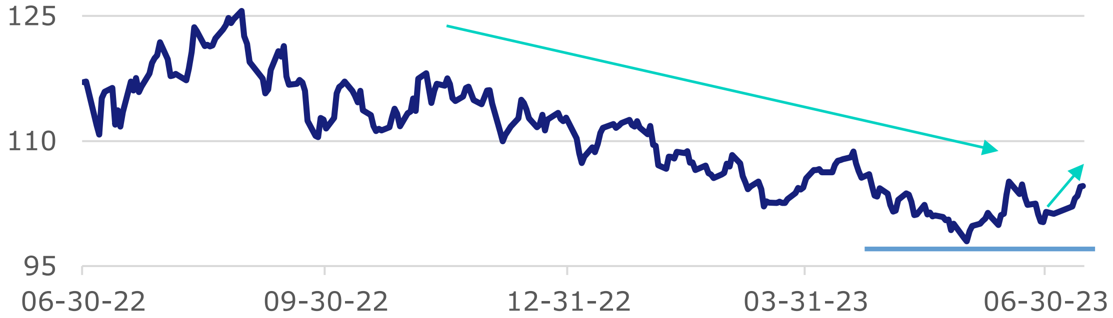
Brent Crude ($/bbl)



Copper ($/lb)



Bloomberg Commodity Index (BCOM)



Source: Refinitiv. Data as of 14 July 2023.

Potential Catalysts / Risks to Markets

Key risks remain limited in the near term. Across the developed markets, services growth and tight labor market conditions continue, mitigating the risk of an imminent recession. A global slowdown is becoming evident with respect to Europe and China lagging, so is the risk of higher policy rates for longer, decreasing liquidity, potential regional banking issues in the US and broader geopolitical flare-ups.

	Catalyst	Timing	Comments
Q2'23 Earnings	Neutral	Short-term (Q3)	Q2 earnings season began with companies beating expectations, including JP Morgan and United Health. Financials broadly declined post results of those first to report.
Further Central Bank Rate Rises based on Inflation & Labor Market Data	Neutral	Short-term (Q3/Q4)	All dependent on the path of disinflation and labor markets. Central banks have signaled data dependency on further hikes; FOMC +50 bps signaled, ECB and BoE more hikes likely too.
Global Liquidity	Neutral	Medium-term (Q3'23 – 2024)	US Treas. to refill TGA issuing up to $1T debt by EOY; potentially offset by China stimulus, though slow response thus far; See BoJ comments below.
Global Recession	Negative	Medium-term (Q4'23 – 2024)	Euro area and China GDP figures recently revised downwards. US economy seems to be on betterr footing, as more economists reduce expectations of a recession in the next 12 months.
Potential US Regional Banking Credit / Commercial Real Estate Issues	Negative	Medium-term (Q4'23 – 2024)	Pressure on regional banks reduced, but CRE vacancy rates pose risks: ~$1.4T of CRE loans are due '23 and '24.
Bank of Japan (Tweak to Yield Curve Control)	Negative	Medium-term (Q3'23 – 2024)	Any change will be gradual, but tweaks represent draining of global liquidity.

Key Upcoming Events / Data Next Week

Monday	• **China:**	**GDP Growth Rate, Industrial Production, Retail Sales (June) (*22:00 Sunday*)**
	• US:	NY Empire State Manufacturing Index (July) (08:30)
Tuesday	• **US:**	**Retail Sales (June) (08:30)**
	• US:	Industrial Production (June) (09:15)
	• US:	NAHB Housing Market Index (10:00)
Wednesday	• UK:	Inflation Report (June) (02:00)
	• Eurozone:	Inflation Report (June) (05:00)
	• US:	Building Permits / Housing Starts (08:30)
	• China:	Loan Prime Rate decision (21:15)
Thursday	• US:	Initial Jobless Claims (08:30)
	• US:	Philadelphia Fed Manufacturing Index (08:30)
	• US:	Existing Home Sales (10:00)
	• Japan:	Inflation Report (19:30)
Friday	• UK:	Retail Sales (June) (02:00)

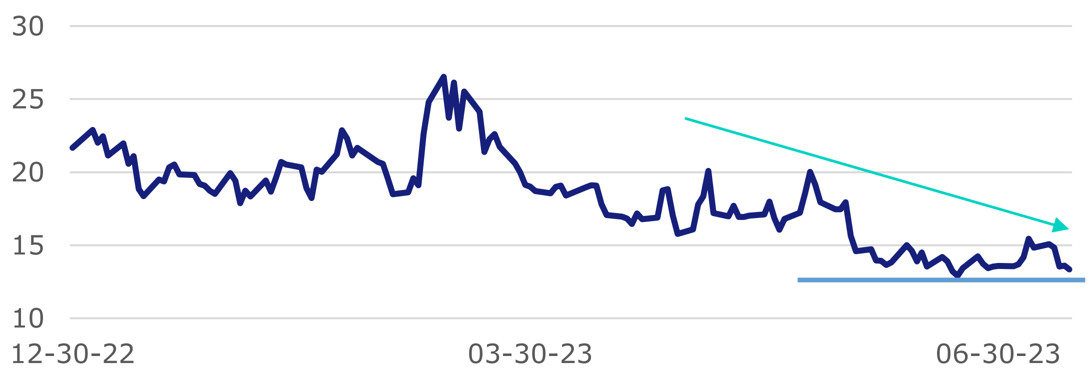
Note: time shown represents US Eastern Time (i.e., New York time)

US Market Overview

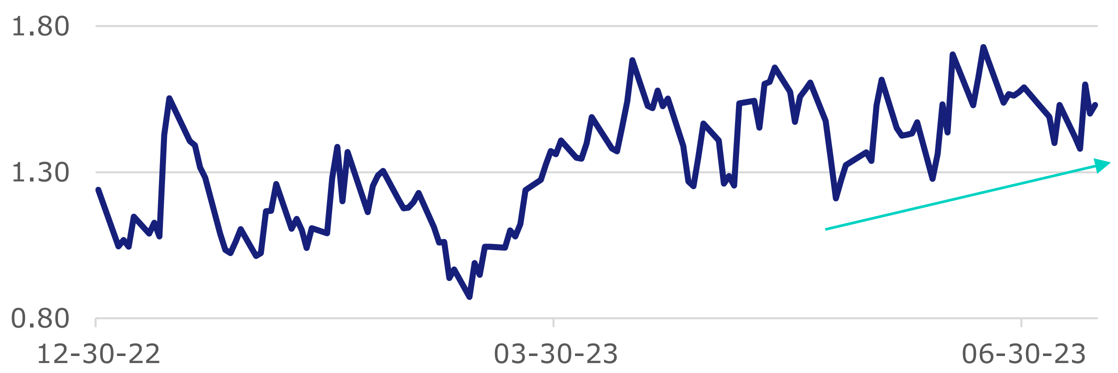
Market Stress Indicators – US Markets

Slowing inflation data, coupled with strong labor markets led to reduction in risk measures this week. HY spreads closed the week at the lowest level of the year.

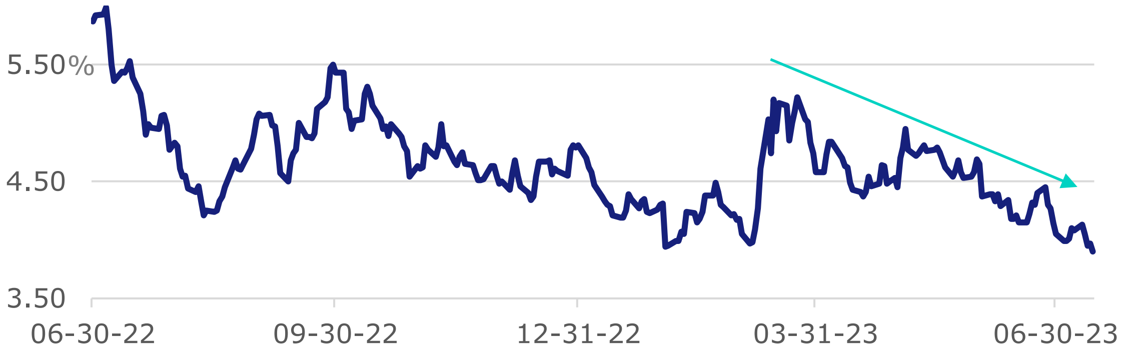
CBOE VIX



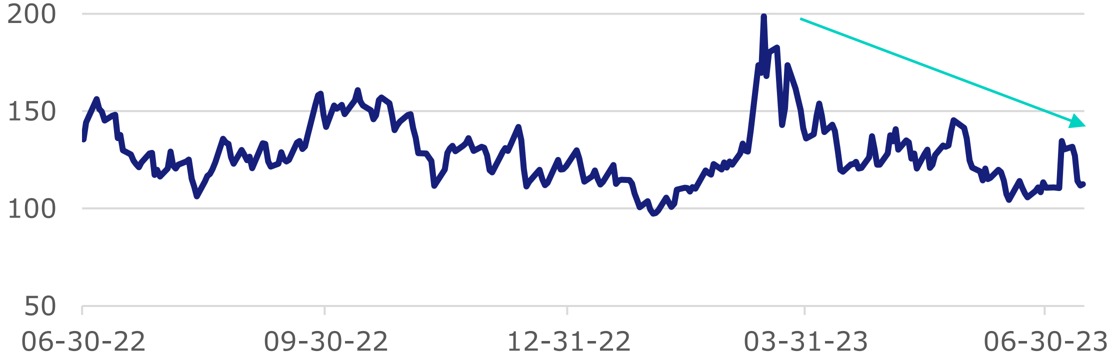
VIX 6M / 9D Ratio



HY Credit Spreads



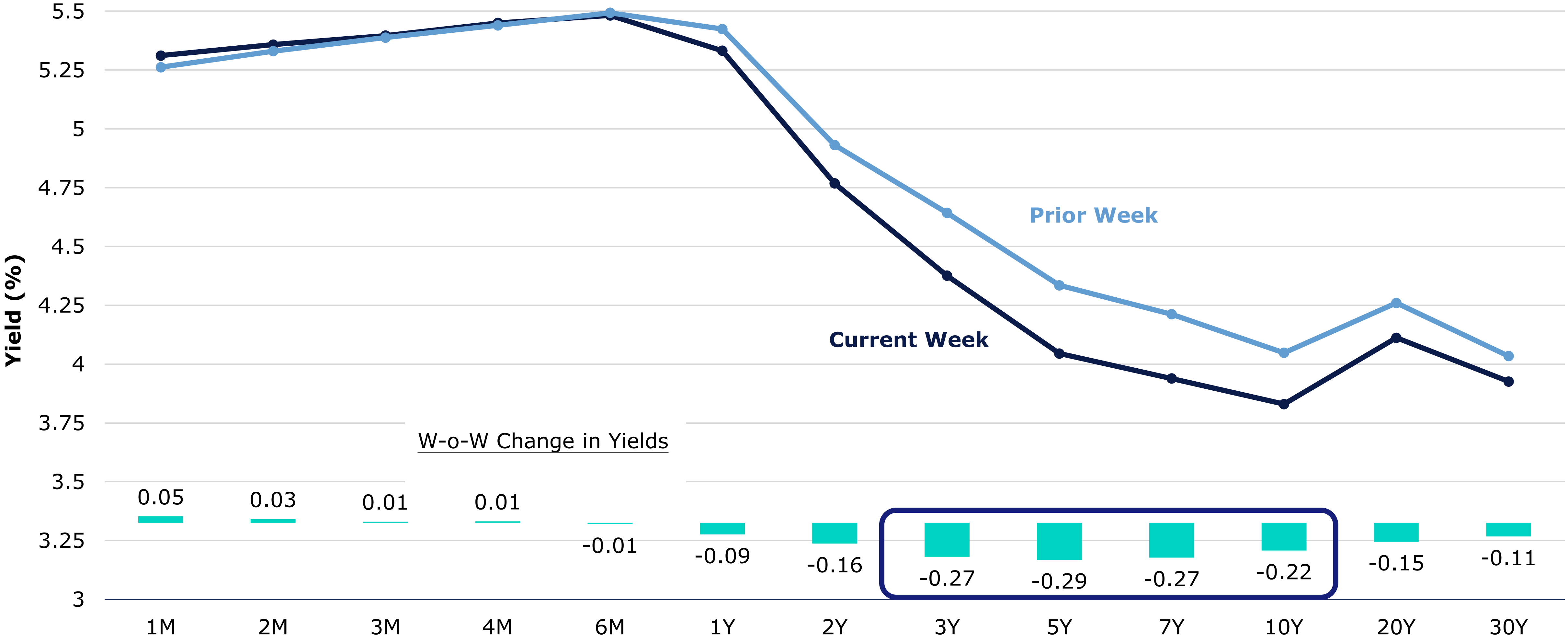
MOVE Index



Source: Federal Reserve Bank of St Louis (FRED) and Refinitiv.

US Yield Curve

Rates along the belly and back-end of the yield curve retraced the entire move of the previous week, given promising inflation data. Fed funds futures now pricing in the first 25 bps cut as early as January 2024 vs March at the beginning of the week.



Source: Refinitiv.

S&P 500 (SPX) – weekly view

S&P500 closed the week at 4505, up 2.4% with all sectors positive on the week. In the last six weeks, market breath has improved: more than 140 stocks have hit 52-week highs and the equal-weighted S&P 500 has outperformed the cap-weighted S&P 500.

Source: Refinitiv and Dow Jones.

S&P 500 Sector Performance

All sectors, especially long-duration, rose on the week. Financials closed the week higher but declined 0.7% post big bank earnings on Friday. Healthcare rose after United Healthcare earnings beat, leading to a 7% rally in the stock on Friday. Companies representing 12% of S&P 500 market cap report next week.

	Week-to-Date	Year-to-Date 2023	S&P Weight	Largest Sector Weights*	
Consumer Discretionary	3.3%	35.4%	11%	Amazon Tesla	25% 19%
Communications Services	3.2%	39.9%	8%	Google Meta	25% 26%
Technology	2.8%	41.4%	29%	Microsoft Apple	24% 23%
Real Estate	2.7%	5.0%	2%	Prologis	13%
Materials	2.5%	7.2%	2%	Linde PLC	20%
S&P 500	2.5%	17.5%	N/A	Apple Microsoft	7% 7%
Industrials	2.3%	10.6%	8%	Raytheon	5%
Utilities	2.2%	-5.2%	3%	Nextera	15%
Healthcare	2.1%	-3.1%	13%	United Health	9%
Financials	2.0%	0.2%	12%	Berkshire JP Morgan	13% 9%
Consumer Staples	1.1%	-0.4%	7%	P&G	14%
Energy	0.8%	-6.9%	4%	Exxon Chevron	24% 20%

Source: Refinitiv. Sector returns reflect those of SPDR Sectors: XLK, XLY, XLP, XLE, XLF, XLV, XLI, XLB, XLC, XLU, XLRE and SPDR S&P500 (SPY) up to 14 July 23.
(*) represents % of Total Net Assets of the ETF as of 15 June 2023.