PHOENIX
ASSET ADVISORS, LLC

# Weekly Market Recap

## May 22, 2023

## Market Commentary

**Last Week's Highlights:** Equities rallied last week, but saw downward pressure on Friday after debt ceiling talks stalled and the Treasury Secretary's comments on the banking situation. The Dow was up 0.50% last week, while the S&P 500 gained 1.84%, the Nasdaq was up 3.57%, and the Russell 2000 gained 1.87%. Bonds were lower as interest rates moved higher during the week. The BBgBarc Agg Bond Index was down 1.42% for the week, while short-term bonds were down 0.58%. The US dollar rallied last week, which kept international equities from seeing as much upside as US stocks. The MSCI EAFE Index added 0.27%, while the MSCI Emerging Markets Index was up 0.44%. **Economic Data:** More Fed speakers, Fed Minutes, and Inflation lead the releases this week. The key economic data releases this week are Building Permits, Redbook Sales, Manufacturing PMI (P), Services PMI (P), New Home Sales, Richmond Manufacturing Index, FOMC Meeting Minutes, Chicago Fed Nation Activity, GDP (1st revision), Initial Jobless Claims, Continuing Claims, Pending Home Sales, KC Fed Manufacturing Index, PCE Price Index, Durable Goods Orders, and UoM Consumer Sentiment. **Earnings Releases:** Lower-end Retailers and Tech dominate the earnings this week. The key earnings releases this week are ZM, AZO, LOW, DKS, A, PANW, TOL, KSS, WOOF, AEO, GES, BBY, DLTR, MDT, RY, COST, GPS, WDAY, & BIG. **Takeaways:** Equities were in rally mode last week until Friday. A report came out that Treasury Secretary Yellen had informed a group of large bank CEOs to expect more bank mergers this year. That pushed financial stocks lower on Friday after they had seen more than 3% returns earlier in the week. Meanwhile, Fed speakers gave hints that perhaps the Fed is not done hiking rates. Fed futures have shifted over the past couple of weeks and now show only a 79% probability of no rate hike next month. Fed speakers last week continued the rhetoric that inflation was "sticky" despite data showing the individual components of CPI moving lower. Meanwhile, Retail Sales for April, while disappointing expectations, came in nearly 3 times higher than the previous month. Jobless Claims were lower than expected and lower month-over-month. The current estimate of 2nd quarter GDP, according to the Atlanta Fed is +2.9%, with Consumer Spending having moved higher. With Debt Ceiling talks and Fed minutes leading headlines this week, expect investor uneasiness.

## Market Returns

| Sectors | 1 Week Return | YTD Return |
|---|---|---|
| Technology | 4.59% | 27.42% |
| Industrials | 1.24% | 2.97% |
| Energy | 1.48% | -8.41% |
| Communication Svcs | 3.02% | 29.68% |
| Basic Materials | 0.94% | 2.52% |
| Consumer Cyclical | 2.13% | 17.23% |
| Financial Svcs | 2.36% | -2.91% |
| Real Estate | -1.85% | -1.66% |
| Consumer Defensive | -1.55% | 3.00% |
| Healthcare | -0.62% | -2.25% |
| Utilities | -4.11% | -5.49% |

| Key Indices | 1 Week Return | YTD Return |
|---|---|---|
| S&P 500 | 1.84% | 9.91% |
| Dow Jones Industrial Average | 0.50% | 1.69% |
| Russell 2000 | 1.87% | 0.71% |
| Nasdaq | 3.57% | 20.94% |
| MSCI EAFE | 0.27% | 9.65% |
| BBgBarc Agg Bond | -1.42% | 1.88% |
| 60% S&P / 40% BB Agg Bond | 0.54% | 6.70% |

| Key Rates—as of 05/19/2023 | |
|---|---|
| 3mth T-bills | 5.27% |
| 2yr U.S. Treasury | 4.27% |
| 10yr U.S. Treasury | 3.69% |
| Fed Funds | 5.00%-5.25% |

**Investment Styles—1 Week Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 1.17% | 0.88% | 2.70% |
| Mid | 0.55% | 0.22% | 2.28% |
| Small | 1.59% | 1.37% | 1.73% |

**Investment Styles—YTD Returns**

| | Value | Blend | Growth |
|---|---|---|---|
| Large | 0.93% | 4.17% | 22.36% |
| Mid | -3.79% | 1.61% | 8.63% |
| Small | -5.24% | 4.79% | 10.69% |

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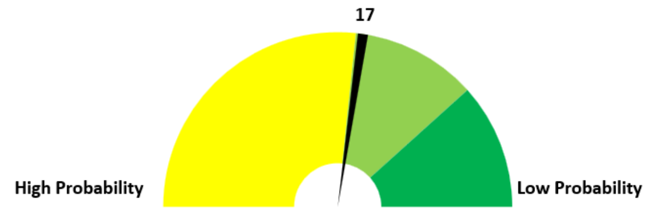
## Recession Indicator

The current score of our Recession Indicator suggests that there is a moderate probability of a recession in the next 6-12 months. The Indicator was unchanged last week. It is now at a level of 17. GDP, the NAAIM, ANCFI, and the Financial Stress Index are at a positive levels. The Yield Curve, Housing Starts, CPI (Inflation), Consumer Sentiment, Unemployment, & Wages are at levels that are typically associated with recessions. The Indicator is fluctuating as economic data is shifting between contraction and growth.




| *Probability of Recession* | |
|---|---|
| Low | 30-24 |
| Moderate | 23-17 |
| High | 16-10 |

*Source: Eudaimonia Asset Management*

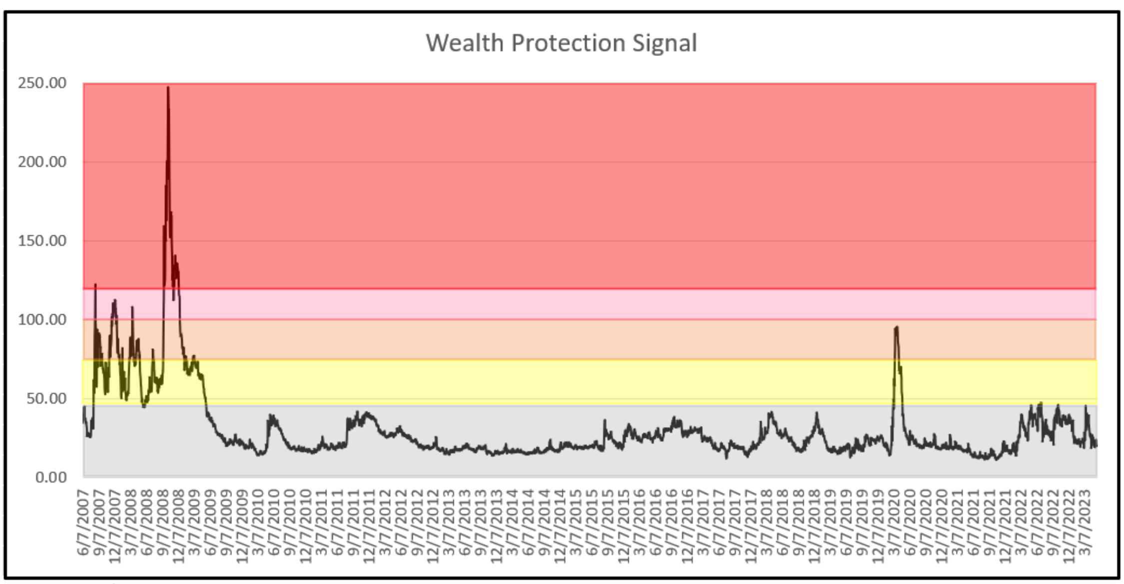
## Wealth Protection Signal

**Description**

The Wealth Protection Signal measures panic or "fear" among investors, as well as, "volatility" in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

**Current Level**

The current level of the Wealth Protection Signal is at 20.68 as of Friday's close on May 19th, 2023. The Signal decreased 10.6% from the previous week's close. Both the TED Spread and the VIX dropped last week. The Signal wound need to increase 118% to reach the 1st trigger point. The Wealth Protection Signal is currently indicating that investors should have a 0% cash-weighting within their respective asset allocation at this time.




| Cash Raise Level |
|---|
| 40% |
| 30% |
| 20% |
| 10% |
| 0% |

**Current Level**
20.68
5/19/2023

*Source: Eudaimonia Asset Management*

*See important disclosures on last page.*

## Disclosures

*Sources: Investment Style returns are derived from Morningstar, Inc. (https://indexes.morningstar.com/indexdata#). Key Rates table derived from Bloomberg. (https://www.bloomberg.com/markets/rates-bonds/government-bonds/us). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.*

*Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.*

*Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.*

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### Risk Disclosure

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