



THINGS TO WATCH

–U.S. TREASURY YIELD BREAKOUT: Yields on the U.S. 10-year Treasury note pushed about 3.65% late last week, the high end of a range that had been in place since mid-March. Yields on the policy-sensitive 2-year Treasury maturity briefly edged above 4.30%, also their highest levels in over eight weeks. Signs of progress in congressional debt ceiling negotiations and lowered expectations for Fed rate cuts later this year seemed to be the main drivers of the recent upside move in yields.

–FOMC MINUTES: On Wednesday, minutes from the Federal Open Market Committee's (FOMC) May 2-3 meeting should shed light on the degree to which Fed officials anticipate pausing their rate hike cycle at the next policy-setting meeting on June 13-14. After the FOMC unanimously raised its benchmark rate by 0.25% to a range of 5.00% to 5.25% in early May, Fed Chairman Powell indicated in his post-meeting press conference that policy is probably sufficiently tight to return annual inflation to the central bank's 2% target.

–CONSUMERS' INFLATION EXPECTATIONS: The University of Michigan's final sentiment survey for May is expected to show consumers' expectations for the annual rate of inflation over the next 5 to 10 years was 3.1%, down slightly from the preliminary reading of 3.2% two weeks ago. Longer term inflation expectations have been in a range between 2.7% and 3.1% since January 2021. Fed Chair Powell and other central bank officials have described unanchored long-term inflation expectations as one of their biggest concerns.

–MORE SOFT GUIDANCE FROM RETAILERS? A varied assortment of retailers is set to report quarterly results this week including Lowe's (LOW), Costco Wholesale (COST), Best Buy (BBY), Dick's Sporting Goods (DKS), Kohl's (KSS), and Dollar Tree (DLTR). Investors will be dialed in for any signs of weakening consumer spending trends following the cautious tones sounded by Walmart (WMT), Target (TGT) and Home Depot (HD) last week.

LAST WEEK'S ECONOMIC DATA	LATEST	3MO PRIOR	CHANGE
Retail Sales (M/M)	0.4%	2.8%	▼
Industrial Production (M/M)	0.5%	1.0%	▼
Housing Starts (Millions Annualized)	1.40	1.34	▲
Building Permits (Millions Annualized)	1.42	1.35	▲
Existing Home Sales (Millions Annualized)	4.28	4.00	▲

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	33426.63	0.38%	0.84%	6.92%
NASDAQ	12657.90	3.04%	20.94%	11.48%
S&P 500	4191.98	1.65%	9.18%	7.45%
MSCI EAFE	2131.59	0.25%	9.65%	8.24%
BB U.S. Aggregate	2087.18	-1.37%	1.88%	-2.42%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	5.22%	5.09%	0.98%
10-Year Treasury	3.67%	3.59%	2.84%

REPORTS DUE THIS WEEK	LATEST
New Home Sales (Thousands Annualized)	683
S&P Global U.S. Manufacturing PMI	50.2
S&P Global U.S. Services PMI	53.6
Personal Income (M/M)	0.3%
U. of Mich. Consumer Sentiment	57.7
U. of Mich. 5-10 year Inflation Expectations	3.2%

Price returns are as of 5/19/23. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

NUMBERS OF THE WEEK

7.5%

According to an analysis by Bloomberg Intelligence, since 1929, the median return of the S&P 500 over the final seven months of the year when the index recorded a positive return to begin the year through the end of May. This seems to partially refute the old stock market adage of "sell in May and go away," which was coined to describe the general pattern of strong seasonal market performance in the November to April period followed by a weaker period from May through October.

\$2.4 billion

The value of real estate construction loans Beverly Hills, CA-based lender PacWest Bancorp (PACW) will sell to real estate investment firm Kennedy-Wilson Holdings (KW) in a bid to shore up liquidity. The loans, which account for roughly 9% of PACW's lending book, reportedly have floating rate structures with an average current interest rate of 8.4%. Earlier this month, PACW told investors it entered strategic negotiations with potential partners as its share price plummeted 90% from early February.



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