Market Commentary

July 2023

- Stocks continued their strong performance in July with small caps and emerging market stocks leading the way.
- Investors are beginning to warm to the idea that the economy may stick a soft landing and avoid an economic recession.
- In July, the Fed raised interest rates by 25 bps, taking rates to the highest level in more than 22 years. The Fed suggested that additional rate hikes in September were still on the table.

MARKET RETURNS AS OF JULY 31, 2023[1]

	July %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %
S&P 500 TR	3.21	20.65	13.02	13.73	12.20	12.66
DJ Industrial Average TR	3.44	8.55	10.62	12.66	9.30	11.19
NASDAQ Composite TR	4.08	37.71	16.82	10.97	14.35	15.93
Russell 2000 TR	6.12	14.70	7.91	12.02	5.09	8.17
MSCI EM GR	6.29	11.71	8.83	1.85	2.10	3.85
MSCI EAFE GR	3.25	15.77	17.42	9.80	5.06	5.70
Bloomberg US Agg Bond TR	-0.07	2.02	-3.37	-4.46	0.75	1.50

MARKETS

In July, the Nasdaq Composite Index rose 4.08%, the DJ Industrial Average Index rose 3.44%, and the S&P 500 Index rose 3.21%. Market performance was largely driven by renewed optimism about the economy and the Fed potentially concluding its rate hiking efforts.

The question looms: can the rally continue or are we in for a correction? There is certainly an argument for both sides that investors should be aware of.

The bulls are looking towards the broadening market breadth as an indicator that a new bull market may have emerged. In the past, we have highlighted that a handful of names in the S&P 500 Index contributed to the large outperformance of the index year-to-date. We are starting to see an improving stock-market breadth as more stocks are advancing than declining. This has historically been indicative of a strong and more sustainable upward trend in the market.

The bears are paying close attention to company earnings and profits. According to the Wall Street Journal, companies in the S&P 500 Index are set to capture a nearly 7 percent year-over-year decline in earnings for the second quarter. This would represent the largest quarterly earnings decline for the index since the second quarter of 2022 and would mark a third consecutive quarter of declining profits. Compared to the beginning of the year when Wall Street analysts projected profits to grow nearly 5% in the third quarter and nearly 10% in the fourth quarter, analysts are now expecting increases of only 0.2% and 7.5%, respectively.

THE FED AND RATES

This past month, the Labor Department reported that the consumer price index (CPI) rose 3% on an annual basis for the month of June, down from a 4% annualized gain in May. On a monthly basis, the CPI gained 0.2%. The data was considered weaker-than-expected, helping to propel equity markets forward. After more than 12 months of an aggressive rate hiking cycle by the Fed, it appears the impact is finally beginning to show in the inflation data.

In terms of the labor market, US job openings fell in June to the lowest level since April 2021, suggesting some minor softening in demand for employees in what is considered an otherwise resilient labor market. The rebound in the economy from the Covid-19 pandemic proved to be difficult for employers as they struggled to find workers willing to return to their pre-pandemic jobs. This created a dramatic mismatch between job openings and available employees.

Falling inflation and the continued strength of the economy signals to the Fed that their monetary policy may be working. The Fed is unwilling to declare victory quite yet and will be looking for any possible signs of regression with regards to inflation and the economy. We can expect the Fed to take their time and remain data dependent.

WHAT'S NEXT?

- **Check in on your portfolio allocations.** The equity rally this year may have created a scenario in which the US equity portion of your portfolio may have become larger than intended. Check in with your advisor to make sure your long-term plan is still on track.

- **Stay diversified.** It is easy to feel tempted by the outperformance of the handful of stocks in the S&P 500 Index that have led the charge this year. Remaining diversified across asset classes and individual names can help improve the risk-adjusted returns of a portfolio over the long term.

- **Take advantage of yield in fixed income.** With US 10 Year yields near 4%, now may be a compelling entry point for investors to either initiate new fixed income positions or add to their existing positions. By either capitalizing on short term rates or extending duration to capture a potential rebound in long-term bond prices, investors have numerous options throughout the fixed income landscape.

(913) 222-1460 | 8900 Indian Creek Parkway, Bldg. 6, Suite 220, Overland Park KS 66210

FOOTNOTES:

Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

Sources:

1. Data from Morningstar. Returns over one year are annualized.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

This material has been prepared for information and educational purposes and should not be construed as a solicitation for the purchase or sell of any investment. The content is developed from sources believed to be reliable. This information is not intended to be investment, legal or tax advice. Investing involves risk, including the loss of principal. No investment strategy can guarantee a profit or protect against loss in a period of declining values.

Investment advisory services offered by duly registered individuals on behalf of CreativeOne Wealth, LLC a Registered Investment Adviser.

6330 Sprint Parkway, Suite 400, Overland Park, KS 66211