

# Capital Markets Snapshot

Capstone Partners Financial and Insurance Services

Week ending June 23, 2023

In a shortened trading week, Federal Reserve Chairman Powell continued to be a major factor in the markets as his semi-annual testimony before Congress implied continuing rate hikes. The Chairman stated that a majority of the FOMC members believe further rate hikes will be necessary this year as inflation remains well above their target level. The market is currently pricing in a 72% probability of a 25-basis point rate hike at the July FOMC according to the CME Fedwatch Tool.

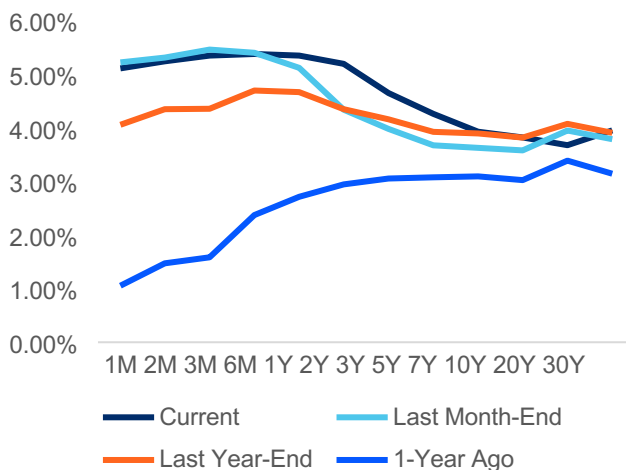
## Fixed Income Markets Overview

- The inversion between the 2- and 10-year U.S. Treasuries continues to increase closing at -100 basis points at the end of the week.
- Despite higher mortgage rates compared to one year ago, the housing market data continued to come in strong this week with both housing starts and existing home sales coming in above forecast.
- The Bank of England and the Norway Central Bank both raised their key interest rates by 50 basis points last week in their continued fight against inflation. The May core inflation reading in England reached 7.1%, a 31-year high.

| Asset Class  | Name                       | 1W     | YTD   | 3Y(Ann.) | 5Y(Ann.) |
|--------------|----------------------------|--------|-------|----------|----------|
| <b>Short</b> | 1-3 Year Govt/Credit       | 0.05%  | 1.31% | -0.84%   | 1.14%    |
|              | <b>Core Plus</b>           |        |       |          |          |
|              | Intermediate Govt/Credit   | 0.08%  | 1.74% | -2.31%   | 1.34%    |
|              | International Aggregate    | -0.26% | 1.71% | -4.85%   | -0.98%   |
|              | US Aggregate               | 0.14%  | 2.36% | -3.77%   | 0.89%    |
|              | US Treasury                | 0.18%  | 1.97% | -4.48%   | 0.61%    |
|              | US TIPS                    | 0.18%  | 2.20% | 0.29%    | 2.70%    |
|              | US Corporate               | 0.14%  | 3.05% | -3.41%   | 1.72%    |
|              | US Corporate High Yield    | -0.75% | 4.51% | 2.20%    | 3.07%    |
| <b>Other</b> | Emerging Markets Aggregate | 0.29%  | 3.22% | -2.63%   | 1.04%    |
| <b>Muni</b>  | US Municipals              | 0.30%  | 2.69% | -0.48%   | 1.89%    |
|              | US Municipals High Yield   | 0.49%  | 4.37% | 1.96%    | 2.91%    |

Source: Bloomberg as of June 23, 2023

## U.S. Treasury Yield Curve



Source: Bloomberg and U.S Treasury as of June 23, 2023

## Interest Rates (%)

| Date                    | 6/23/2023 | 5/31/2023 | 12/30/2022 | 6/23/2022 |
|-------------------------|-----------|-----------|------------|-----------|
| Federal Funds Rate      | 5.17%     | 5.28%     | 4.12%      | 1.12%     |
| 3 Month Treasury        | 5.41%     | 5.52%     | 4.42%      | 1.65%     |
| 6 Month Treasury        | 5.44%     | 5.46%     | 4.76%      | 2.44%     |
| 2 Year Treasury         | 5.25%     | 4.40%     | 4.41%      | 3.01%     |
| 5 Year Treasury         | 4.32%     | 3.74%     | 3.99%      | 3.14%     |
| 10 Year Treasury        | 3.88%     | 3.64%     | 3.88%      | 3.09%     |
| 30 Year Treasury        | 4.01%     | 3.85%     | 3.97%      | 3.21%     |
| US Aggregate            | 4.72%     | 4.59%     | 4.68%      | 3.79%     |
| US Corporate            | 5.46%     | 5.37%     | 5.42%      | 4.71%     |
| US Corporate High Yield | 9.03%     | 8.81%     | 8.96%      | 8.56%     |
| US Municipal            | 3.50%     | 3.64%     | 3.55%      | 3.26%     |
| US Municipal High Yield | 5.71%     | 5.82%     | 5.83%      | 5.34%     |

## Spreads Over 10-Year US Treasuries

| Date                    | 6/23/2023 | 5/31/2023 | 12/30/2022 | 6/23/2022 |
|-------------------------|-----------|-----------|------------|-----------|
| 30 Year Treasury        | 0.13%     | 0.21%     | 0.09%      | 0.12%     |
| US Aggregate            | 0.84%     | 0.95%     | 0.80%      | 0.70%     |
| US Corporate            | 1.58%     | 1.73%     | 1.54%      | 1.62%     |
| US Corporate High Yield | 5.15%     | 5.17%     | 5.08%      | 5.47%     |
| US Municipal            | -0.38%    | 0.00%     | -0.33%     | 0.17%     |
| US Municipal High Yield | 1.83%     | 2.18%     | 1.95%      | 2.25%     |

Source: Bloomberg and U.S. Treasury as of June 23, 2023

## Equity Markets Overview

- All three major equity indices ended their recent rallies this week, each falling by over 1.0%. This marked the NASDAQ's first weekly decline in two months.
- The only positive sector of the S&P last week was Healthcare (+0.3%). The largest sector declines were in Real Estate (-4.3%) and Energy (-3.4%).
- Stocks in the news this past week included Darden Restaurants and Carmax, which both reported quarterly earnings that exceeded analysts' estimates.

| Asset Class      | Name                    | 1W     | YTD    | 3Y(Ann.) | 5Y(Ann.) |
|------------------|-------------------------|--------|--------|----------|----------|
| <b>All-Cap</b>   | S&P 1500                | -1.48% | 13.29% | 13.58%   | 10.79%   |
| <b>Large-Cap</b> | S&P 500                 | -1.37% | 14.19% | 13.57%   | 11.29%   |
|                  | S&P 500 Growth          | -0.87% | 18.77% | 11.27%   | 11.91%   |
|                  | S&P 500 Value           | -1.96% | 9.20%  | 15.05%   | 9.68%    |
| <b>Mid-Cap</b>   | S&P Midcap 400          | -2.52% | 4.32%  | 13.52%   | 6.45%    |
|                  | S&P Midcap 400 Growth   | -2.03% | 6.05%  | 9.85%    | 5.67%    |
|                  | S&P Midcap 400 Value    | -3.04% | 2.50%  | 17.07%   | 6.84%    |
| <b>Small-Cap</b> | S&P Smallcap 600        | -3.18% | 1.60%  | 13.58%   | 3.89%    |
|                  | S&P Smallcap 600 Growth | -2.95% | 2.78%  | 10.52%   | 3.86%    |
|                  | S&P Smallcap 600 Value  | -3.42% | 0.43%  | 16.53%   | 3.67%    |
| <b>Int'l.</b>    | MSCI ACWI ex-USA        | -3.37% | 8.04%  | 6.41%    | 2.77%    |
|                  | MSCI EM                 | -3.60% | 4.93%  | 2.42%    | 0.18%    |

Source: Bloomberg as of June 23, 2023

## Alternative Markets Overview

- Bitcoin reached its highest level in over a year on Friday but pulled back slightly to close the week near \$31,000. For the year to date, the cryptocurrency is up almost 85%.
- Concerns over worldwide economic growth put continued pressure on oil, which fell below \$69 per barrel on Friday. Gold fell by almost 2% for the week.

| Name                   | 1W     | YTD    | 3Y (Ann.) | 5Y (Ann.) |
|------------------------|--------|--------|-----------|-----------|
| S&P GSCI               | -2.71% | -7.44% | 25.65%    | 3.83%     |
| Gold                   | -1.48% | 6.45%  | 3.84%     | 8.48%     |
| FTSE All Equity NAREIT | -4.63% | -2.20% | 3.09%     | 4.39%     |
| Bitcoin                | 17.18% | 86.00% | 49.20%    | 36.39%    |
| Ethereum               | 10.56% | 58.46% | 102.36%   | 30.90%    |

Source: Bloomberg as of June 23, 2023



### Upcoming Week

- As we close out the month of June look for reports this week on Consumer Confidence and U.S. Durable Goods Orders.
- The key economic report of the week will be the Personal Consumption Expenditures (PCE) Index on Friday. This report is known to be a favorite of the Federal Reserve and may give some insight into potential rate hikes at their next FOMC meeting.

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## Glossary and Disclosures

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S&P 1500 Index combines three leading indices, the S&P 500, the S&P Midcap 400, and the S&P Smallcap 600, to cover approximately 90% of U.S. equity market capitalization.

S&P 500 Index includes approximately 500 leading companies that covers approximately 80% of available U.S. equity market capitalization.

S&P 500 Growth Index is a stock index that represents the fastest-growing companies in the S&P 500 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P 500 Value Index is a stock index that represents the companies in the S&P 500 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Midcap 400 Index is distinct from the large-cap S&P 500 and designed to measure the performance of 400 U.S. mid-sized companies, which have differing liquidity and growth potential than large and small cap companies.

S&P Midcap 400 Growth Index is a stock index that represents the fastest-growing companies in the S&P Midcap 400 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Midcap 400 Value Index is a stock index that represents the companies in the S&P Midcap 400 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

S&P Smallcap 600 Index measures the performance of 600 small-sized U.S. companies to reflect the small-cap segment of the U.S. equity market, which is typically known for less liquidity than large cap stocks.

S&P Smallcap 600 Growth Index is a stock index that represents the fastest-growing companies in the S&P Smallcap 600 based on three factors: sales growth, ratio of earnings change to price, and momentum.

S&P Smallcap 600 Value Index is a stock index that represents the companies in the S&P Smallcap 600 with the most attractive valuations based on three factors: book value, earnings, and sales to price.

MSCI ACWI ex-US Index captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries.

S&P GSCI is broad-based and production weighted to represent the global commodity market beta. The index is designed to be investable by including the most liquid commodity futures.

S&P GSCI Gold a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.

FTSE All Equity NAREIT Index contains all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property that also meet minimum size and liquidity criteria.

Bitcoin USD Spot Exchange Rate measures the last price of 1 Bitcoin in USD.

Bloomberg Galaxy Bitcoin Index is designed to measure the performance of a single bitcoin traded in USD.

Ethereum USD Spot Exchange Rate measure the last price of 1 Ethereum in USD.

Bloomberg Galaxy Ethereum Index is designed to measure the performance of a single Ethereum traded in USD.

Bloomberg Barclays 1-3 Year Govt/Credit Index is the 1-3 Yr. component of the U.S. Government/Credit index, which includes securities in the Government, which includes treasuries and agencies debt securities, and Credit Indices, which includes publicly issued U.S. corporate and foreign debt that meet specified maturity, liquidity, and quality requirements.

Bloomberg Intermediate US Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the US Aggregate Index with less than 10 years to maturity; this includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities

Bloomberg Barclays Global Aggregate Bond Index provides a broad-based measure of the global investment-grade fixed income markets, with three major components of this index are the U.S. Aggregate, the Pan-European Aggregate, and the Asian-Pacific Aggregate Indices.

Bloomberg Barclays U.S. Aggregate Bond Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays U.S. Treasury Aggregate Bond Index is the U.S. Treasury component of the U.S. Government index and represents public obligations of the U.S. Treasury with a remaining maturity of one year or more.

Bloomberg US TIPS Index consists of Inflation-Protection securities issued by the U.S. Treasury.

Bloomberg Barclays US Corporate Bond Index is the Corporate component of the U.S. Credit index and represents publicly issued U.S. corporate and specified foreign debentures and secured notes that meet the specified maturity, liquidity, and quality requirements.

Bloomberg Barclays U.S. Corporate High Yield Index covers the universe of fixed rate, non-investment grade debt.

Bloomberg Barclays Emerging Markets Bond Index is broad-based with country eligibility and classification as an Emerging Market being rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications.

Bloomberg Barclays U.S. Municipal Index is a rules-based, market-value-weighted index engineered for the long-term tax-exempt bond market.

Bloomberg Barclays US High Yield Municipal Index is an unmanaged index of noninvestment-grade municipal debt securities, which provides a representation of the performance of US high-yield tax-exempt bonds.

Federal Funds Rate is the interest rate at which depository institutions trade federal funds (balances held at Federal Reserve Banks) with each other overnight.

U.S. Treasury Securities are issued by the federal government and are considered to be among the safest investments you can make, because all Treasury securities are backed by the "full faith and credit" of the U.S. government.

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**MM202606-305972**