

18/06/2023 - 24/06/2023

Weekly Market Update



BLUE PORTAL INSIGHT



Main Takeaways/Trends

U.S. Housing

- Residential Housing Starts spiked up +20% month-on-month
- 30-Year mortgage rates remain elevated despite recent Fed announcement to pause interest rate hikes.
- Housing affordability remains stubbornly low with no sign for improvement in the short-run unless a shift in interest rates occurs.

Equities

- U.S. equities lower on the week with Real Estate and Energy stocks dragging down indices. Healthcare, consumer discretionary, consumer staples were best weekly performers.
- U.S. Tech is best performing U.S. equity sector YTD by being up +30%.
- German and French equities lead the developed market equities group as they are up +16% year-to-date.

Currencies

- U.S. dollar appreciated versus main trading pairs (EUR, JPY, GBP, AUD) on the week. The JPY and AUD depreciated by 1.07% and 2.48%, respectively, on the week.
- Months-long trend of a depreciating dollar versus EUR and GBP since October of last year continues to be significant.

Commodities

- Gold price remains close for \$2000 per ounce and is 5% up YTD mainly due to the spike that occurred in early March after the bankruptcy and collapse of Credit Suisse and Silicon Valley Bank.
- Natural Gas and oil prices slid in the past week and YTD prices are down 37% and 14% respectively.

Interest Rates

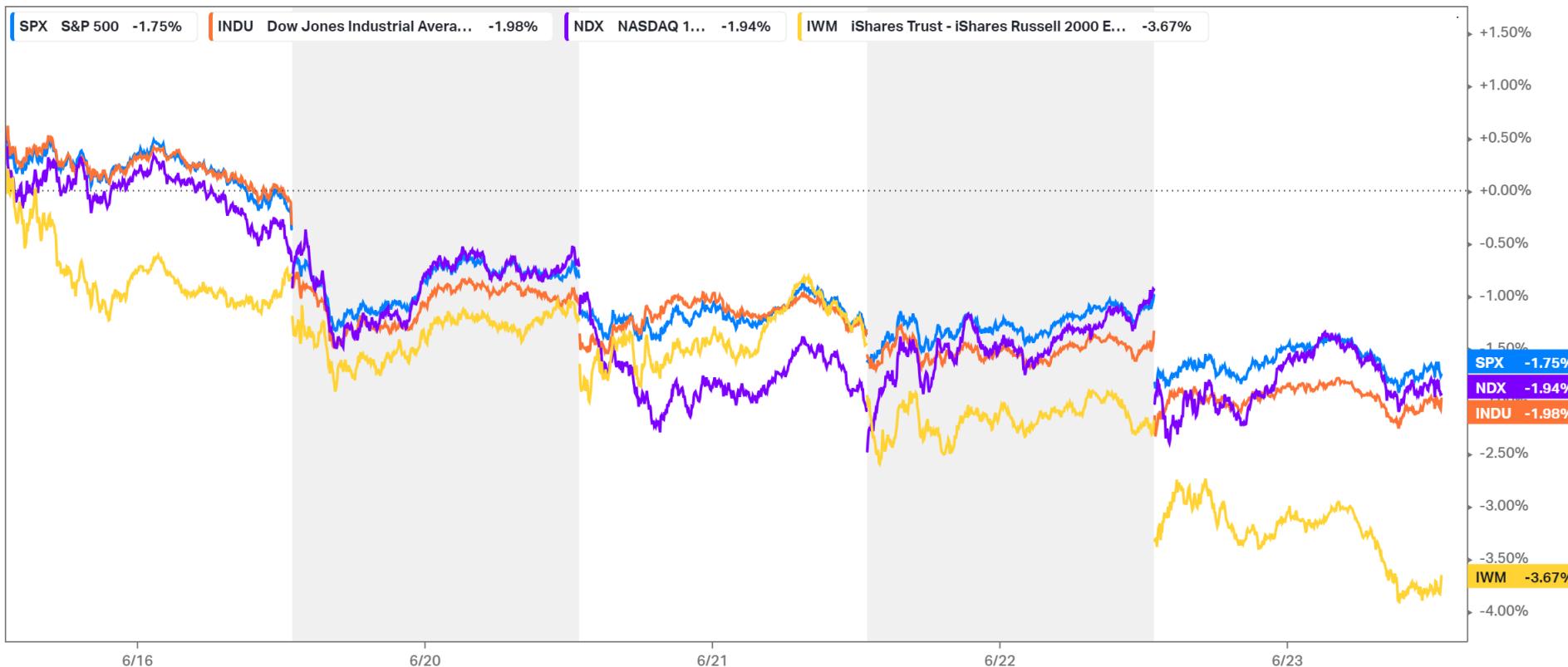
- Shorter-term treasury rate remain relatively elevated compared to longer-term treasury rates.
- Spreads between 10year treasury rate and short-term treasury rates continue to widen.



U.S Equities (Indices)



Weekly Performance of U.S. Equity Indices



U.S. Equities were lower on the week with the Russell 2000 performing the worst down by 367 basis points.

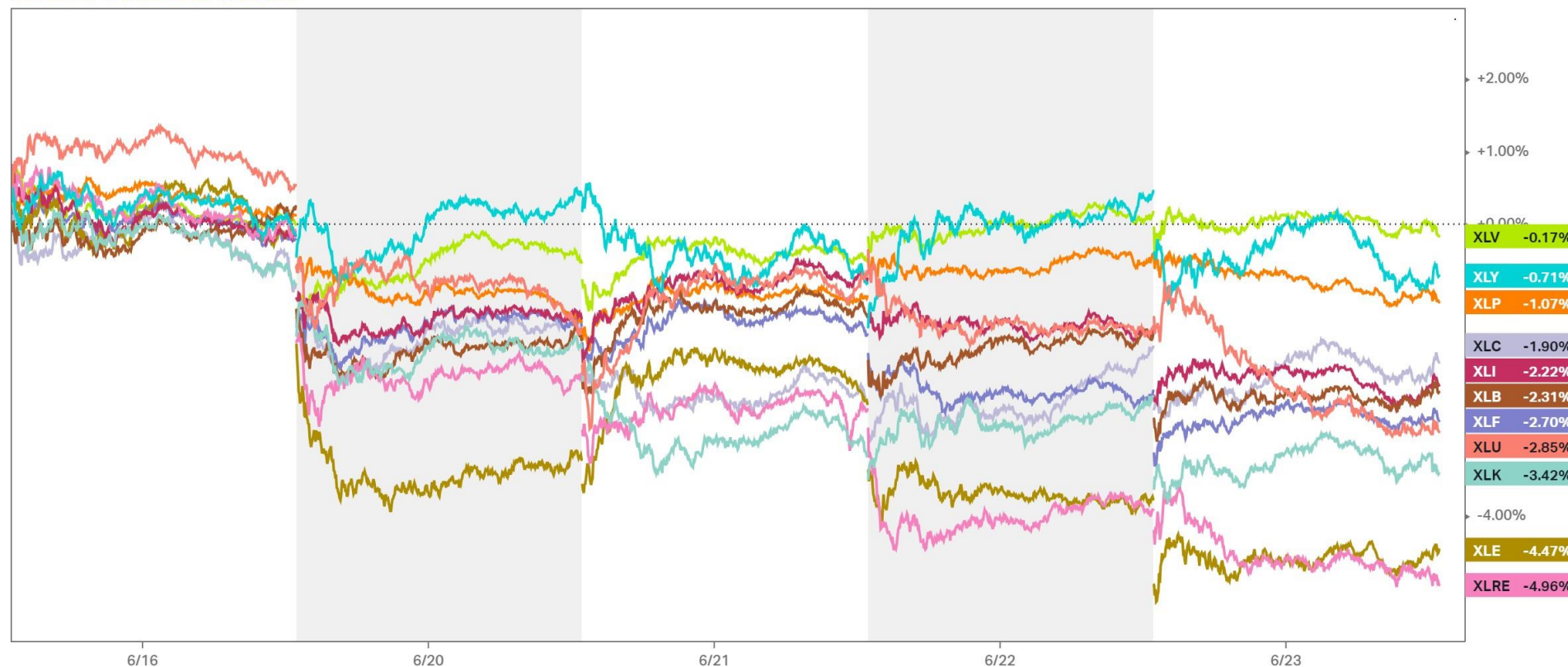
The SP500, Nasdaq 100 and the Dow traded relatively close to each other and were down by 175, 194 and 198 basis points on the week respectively.



U.S Equities (Sectors)



Weekly Performance of U.S. Equity Sectors



The Healthcare sector (XLV) was the best performing sector only down by 17 basis points on a weekly basis. Other relatively well performing sectors include the consumer staples (XLP) and consumer discretionary (XLY) sectors that were down 107 and 71 basis points on the week.

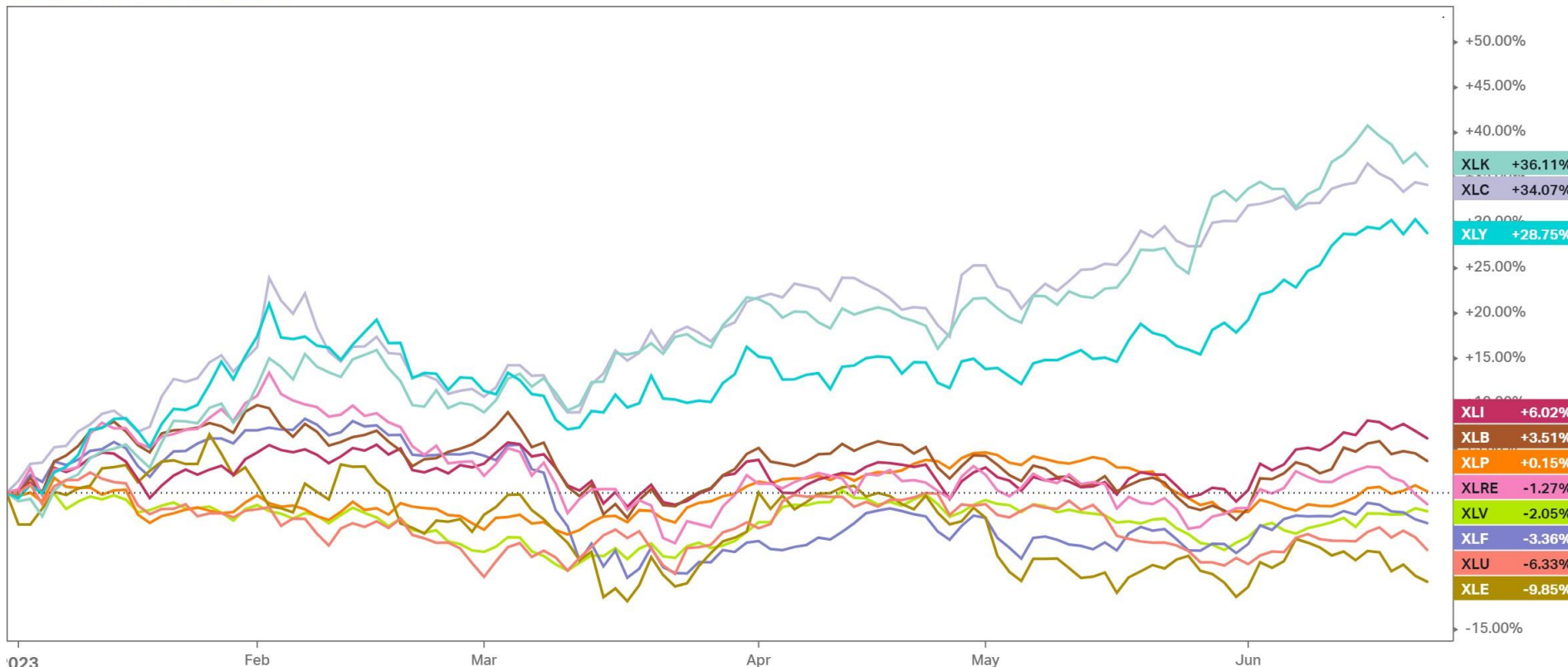
Worst Performers included the energy (XLE) and real estate sectors (XLRE) that were down by 447 and 496 basis points on the week.



U.S Equities (Sectors)



U.S. Equities Sectors Year-to-Date Performance



Year-to-Date, technology (XLK), communications (XLC) and consumer discretionary (XLY) have been the best performers – all up 25% + year-to-date.

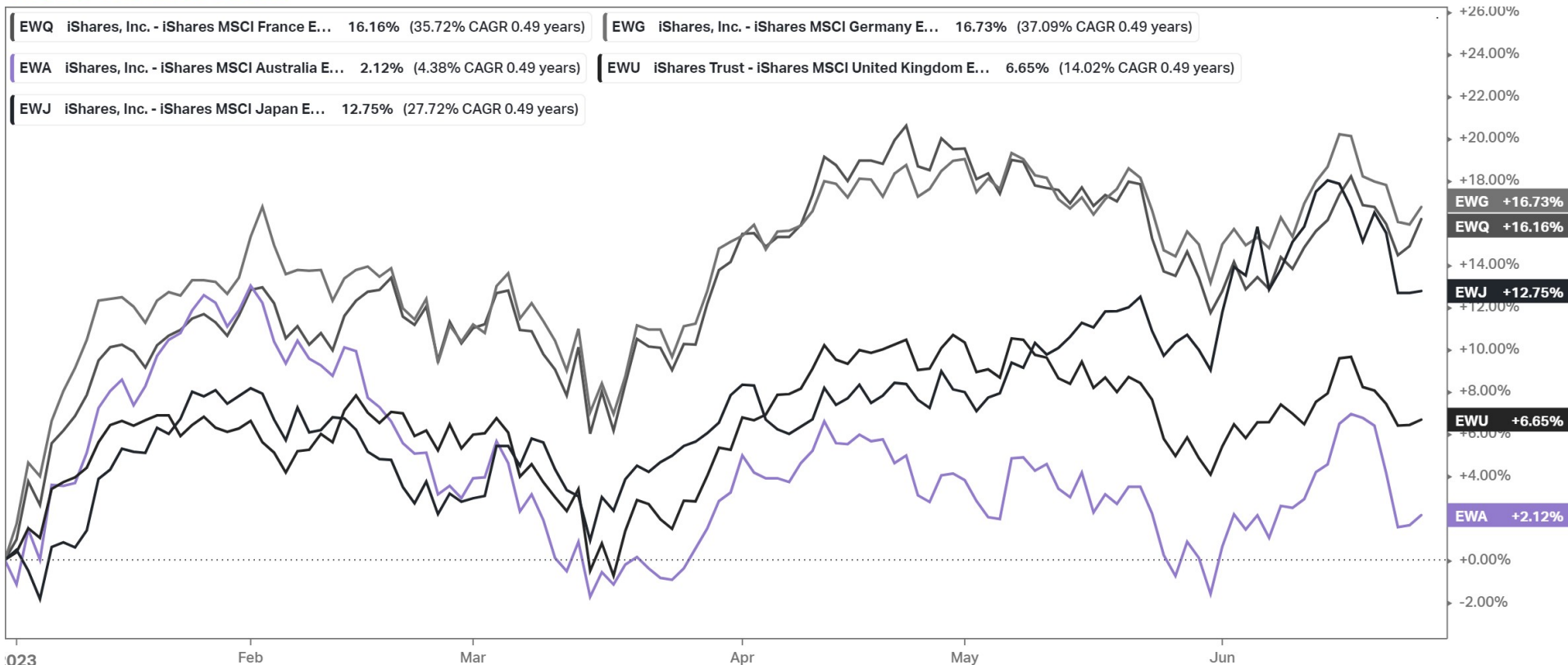
On the other hand, Financials (XLF), Utilities (XLU) and Energy (XLE) are the worst performers – down 3.36%, 6.33% and 9.85% respectively.



International Equity Markets



International Equities YTD Performance



German equities are the best performers within the developed market equities group as they are 16.7% up YTD. Followed by France and Japan both up by 16.2% and 12.8%, respectively.

UK equities and Australian equities are up moderately by 6.7% and 2.1%, respectively.



U.S. Treasuries



U.S. Treasury Rates Year-to-Date



U.S. Treasury Yields (Year-to-Date)



Shorter-term treasury yields remain relatively elevated compared to longer-term treasury rates.

The 10-Yr Treasury rate ended the week at 3.723%. Continued buying pressure for longer dated treasuries have left longer-term treasuries with lower rates.



U.S. Treasury Rate Spreads Year-to-Date



U.S. Treasury Rate Spreads



To the left are the spreads of U.S. treasury bond rates. The Orange line is the spread between the 10Yr treasury rate and the 2Yr treasury rate while the yellow line is the spread between the 10Yr and 3-month treasury rates.

The gap between these two spreads widened in early March when Credit Suisse's bankruptcy and acquisition took place. The gap widened further since the fall of Silicon Valley Bank, First Republic Bank and Signature Bank in the U.S. took place between early March and May. Though the gap between these two spreads has narrowed since its recent peak in early May, the gap suggests that there is continued selling pressure for 3-month treasuries versus 2-year treasuries.



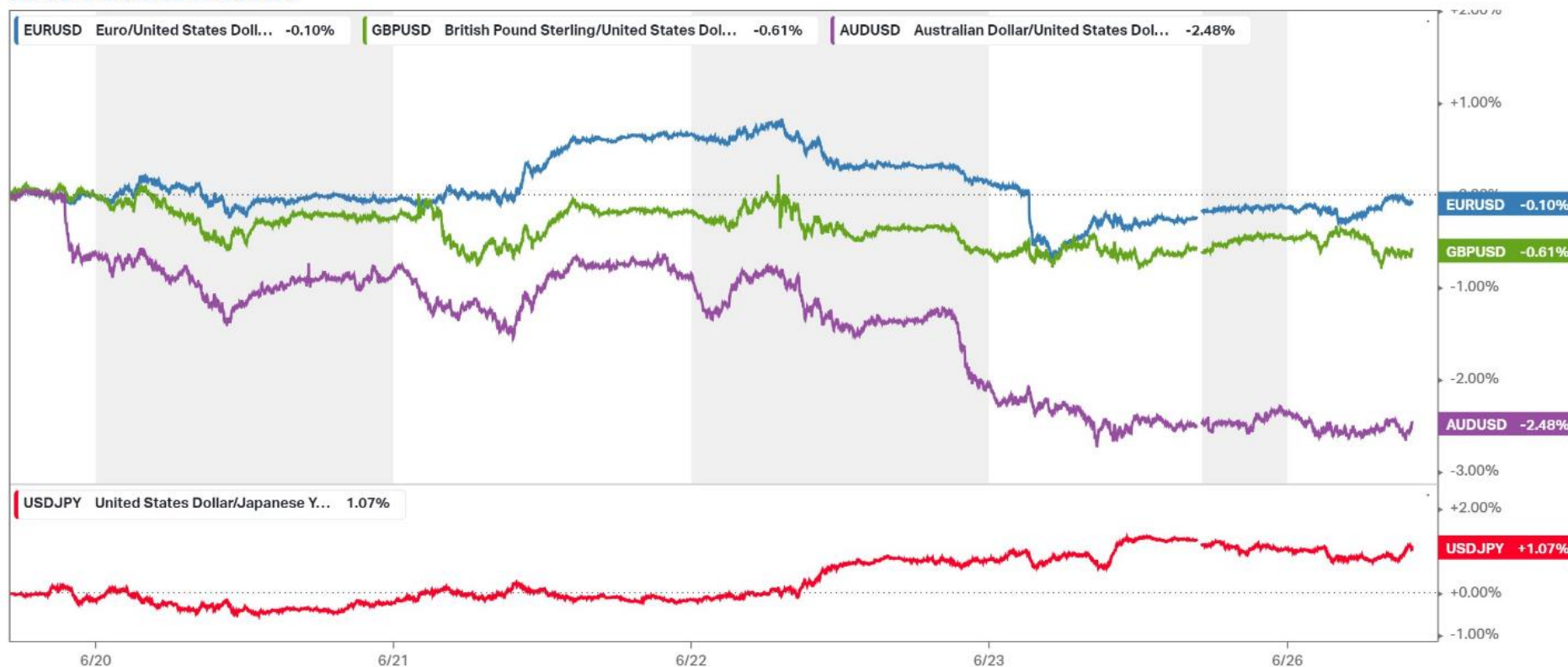
Currencies



Currencies



Foreign Exchange Weekly Performance



The U.S. Dollar has appreciated versus other major currencies on a weekly basis. The greenback appreciated versus the Euro, British Pound, Australian Dollar and Japanese Yen.

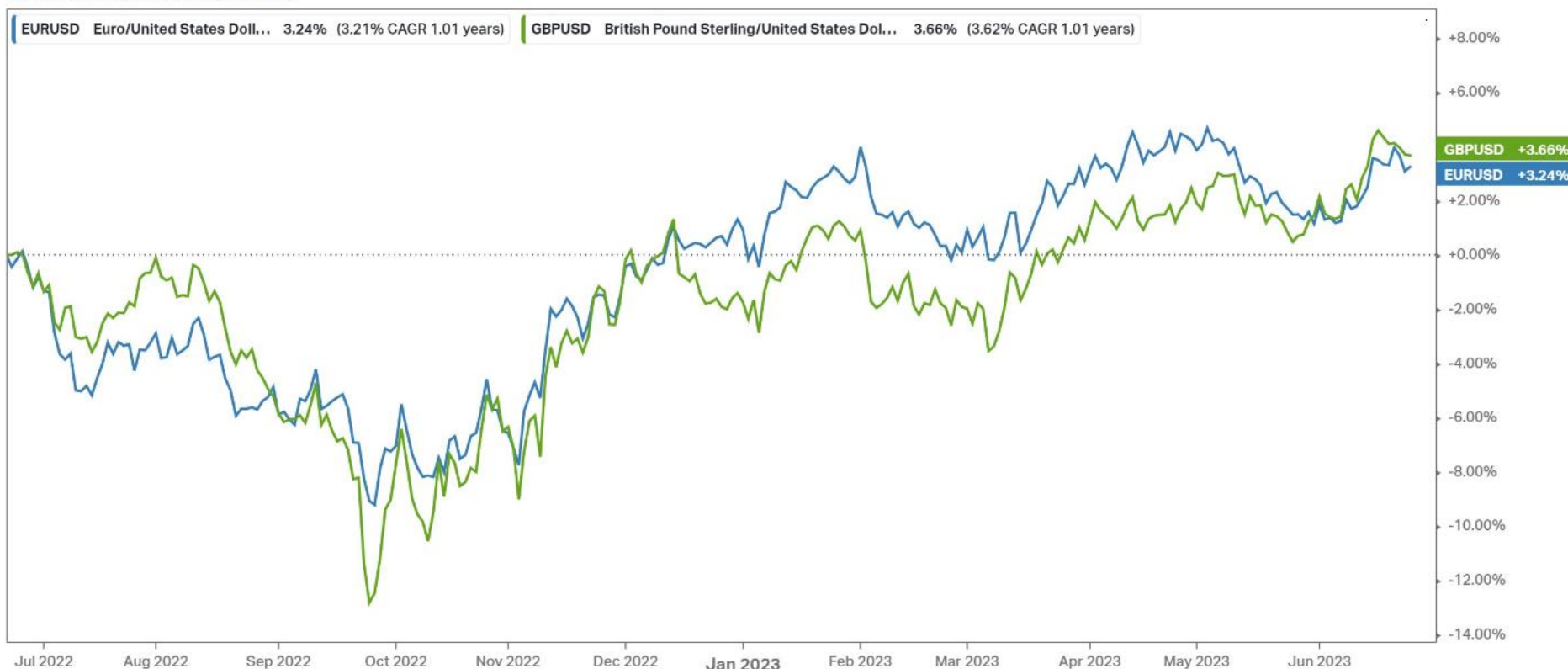
The Yen and 'Ozzy' dollar depreciated against the USD more significantly by 1.07% and 2.48% respectively.



Currencies



US Dollar vs Euro and British Pound (1-Year)

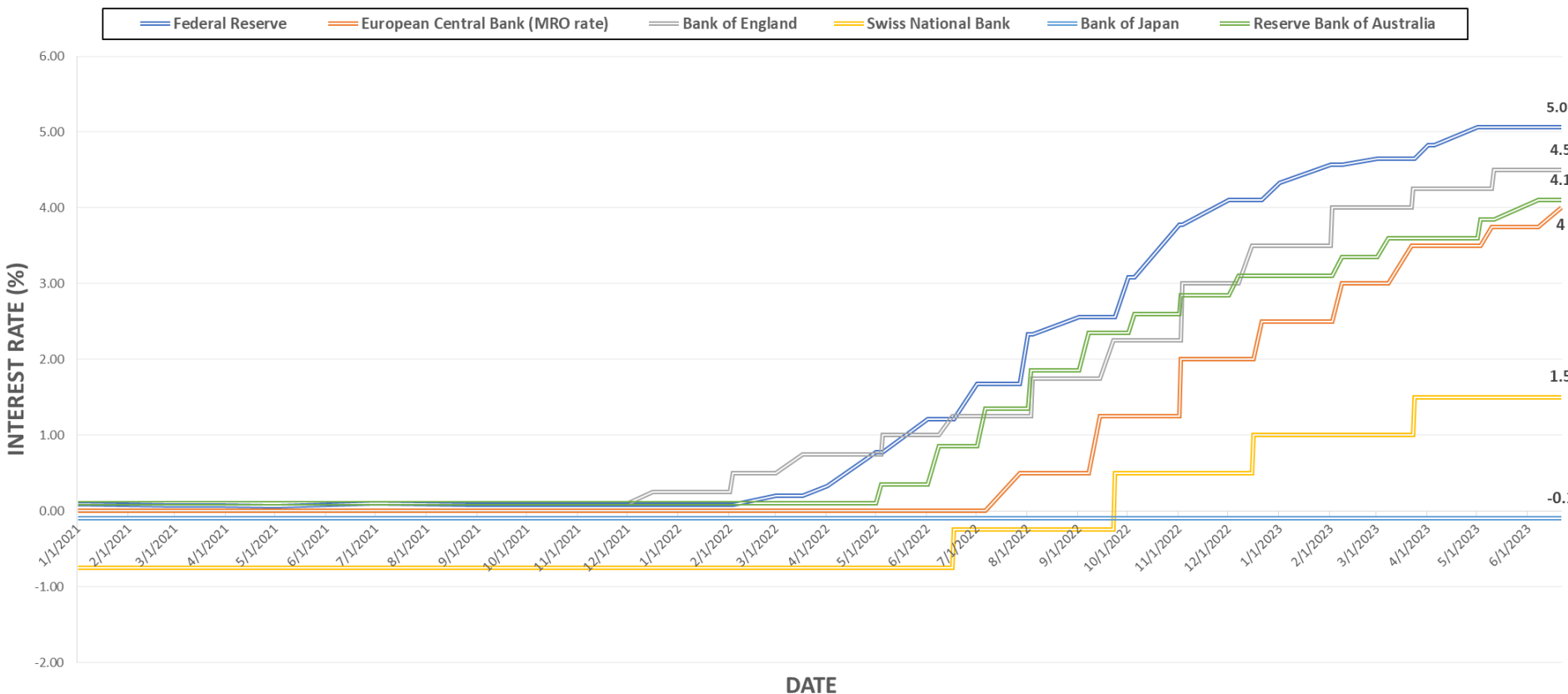


The weekly move goes against the months-long trend of a depreciating dollar versus other global currencies. The British pound and Euro have appreciated significantly since the strength of the USD peaked September of last year, partly attributed to the Bank of England and European Central Bank increasing interest rates over the same time period and thus catching up to Fed rate increases.



Global Central Banks Hiking Cycles

WORLD CENTRAL BANKS - HIKING CYCLES



Global Central Banks have since the end of 2021/beginning of 2022 increased their target interest rates – thus constricting the supply of credit in their respective financial systems in order to tame inflation.

Though the pace and size of interest rate hikes was fast and large, especially by the Federal Reserve in the U.S., we have started to see a recent shift in the last couple of months. The U.S. in its last policy meeting decided to pause its rate hikes for the first time since it began raising rates; in addition, the People’s Bank of China cut rates by 10 basis points – the first rate cut by the Chinese central bank since its hiking cycle began.



U.S. Housing



U.S. Housing Starts



U.S. Housing Starts (5-Year)



US Housing Starts* came in on Tuesday at a current level of 1.631M, up from 1.34M last month and up from 1.543M one year ago. This is a change of 21.72% from last month and 5.70% from one year ago.

The spike in housing starts versus the prior month and mortgage rates remaining elevated in the U.S. (as reported last Wednesday) has led to a broad decline across real estate equities. Home builders continued supply could continue to ease home prices going forward.

*Housing Starts are the total number of single family houses that started construction in a given month in the US.



U.S. 30-Yr Mortgage Rates



U.S. 30-Year Mortgage Rate (10-Year timeseries)



The U.S. 30-year residential mortgage rate (6.73%) remain elevated relative to the prior 10 years and only budged 4 basis points vs the prior week (6.77%). Market participants were expecting a potential easing of mortgage after the Fed announcement to pause interest rates in their last meeting.



U.S. Housing Affordability



U.S. Housing Affordability Index (10-year)



U.S Housing affordability has decreased considerably since the move in global interest rates shot up mortgage rates in the United States. The index has not budged in the last few months and remains stubbornly low relative to the average of the last 10 years.

To interpret the index, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. An index above 100 signifies that family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home.



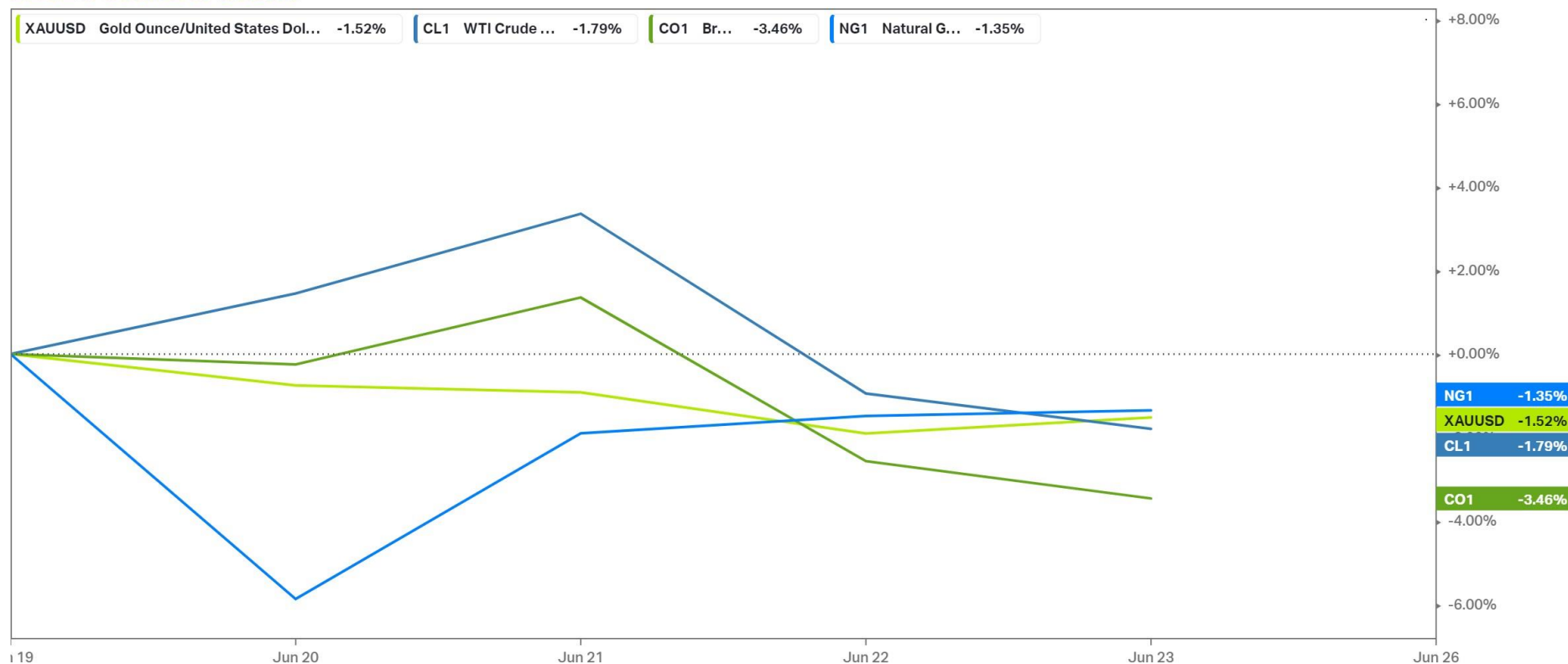
Commodities



Commodities weekly performance



Gold, Oil & Natural Gas Weekly Performance



Gold, Oil and Natural Gas prices were all down on a weekly basis.

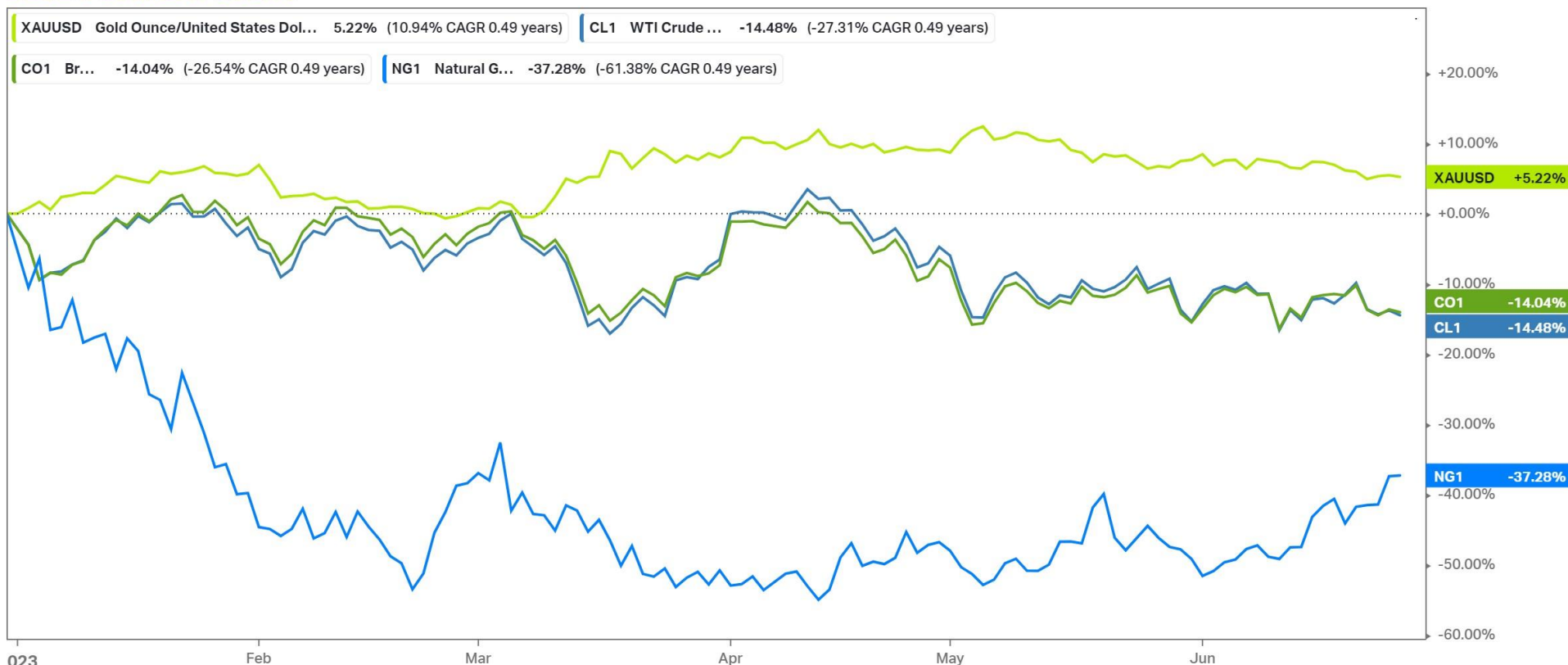
Gold down 1.52%.
West Texas Intermediate (WTI) down 1.79%
Brent Crude down 3.46%
Natural Gas down 1.35%



Commodities Year-to-Date performance



Gold, Oil & Natural Gas Year-to-Date Performance



Gold is up YTD by 5.22%. most of the gain came from the beginning of March when bank failures in the U.S. and Switzerland took place.

Oil is down YTD by approx. 14%.

Natural Gas is down by 37.3% YTD.



Disclosure & Contacts

Please feel free to follow us on Instagram at https://www.instagram.com/blue_portal_insight/ and don't hesitate to contact us at: blueportalinsight@gmail.com

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