

02/07/2023 - 08/07/2023

Weekly Market Update



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Main Takeaways/Trends

U.S. Housing

- Residential Housing Sales spiked up +12.2% month-on-month, compared to 3.5% the prior month.
- 30-Year mortgage rates remain elevated at 6.81% 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 Materials and Health Care stocks dragging down indices, while the communications and real estate sectors were best weekly performers.
- U.S. Tech is best performing U.S. equity sector YTD by being up +35%.
- German, French and Japanese equities lead the developed market equities group as they are up +14% year-to-date despite all being down on the week.

Currencies

- U.S. dollar depreciated versus main trading pairs (EUR, JPY, GBP, AUD) on the week. The Yen and the Pound appreciated against the USD more significantly by 1.82% and 1.12% respectively.
- 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.
- On a weekly basis, Oil prices jumped by approx. 4%, gold remained flat (+0.20%) and natural gas was down by 4.0% .
- Natural Gas prices since June have made a steady comeback and gained momentum – to keep an eye out in future updates.

Interest Rates

- Shorter-term treasury rate remain relatively elevated compared to longer-term treasury rates.
- Negative rate spreads between 10year treasury rate and 2yr treasury rate narrowed by 22 basis points.



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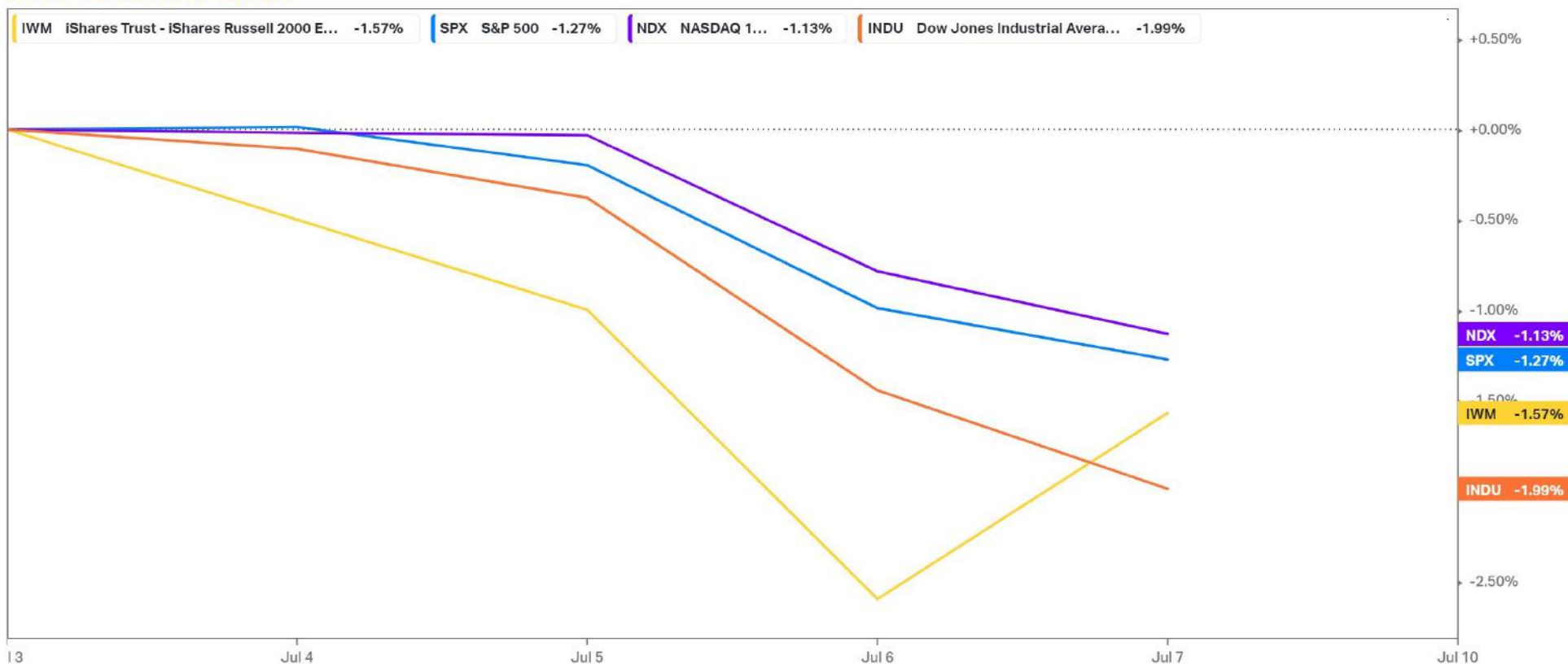


U.S Equities (Indices)



Weekly Performance of U.S. Equities

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U.S. Equities were generally lower on the week with the Dow Jones pushing the lowest by 199 basis points while the Nasdaq 100 being the best relative performer of the indices only down by 113 basis points.

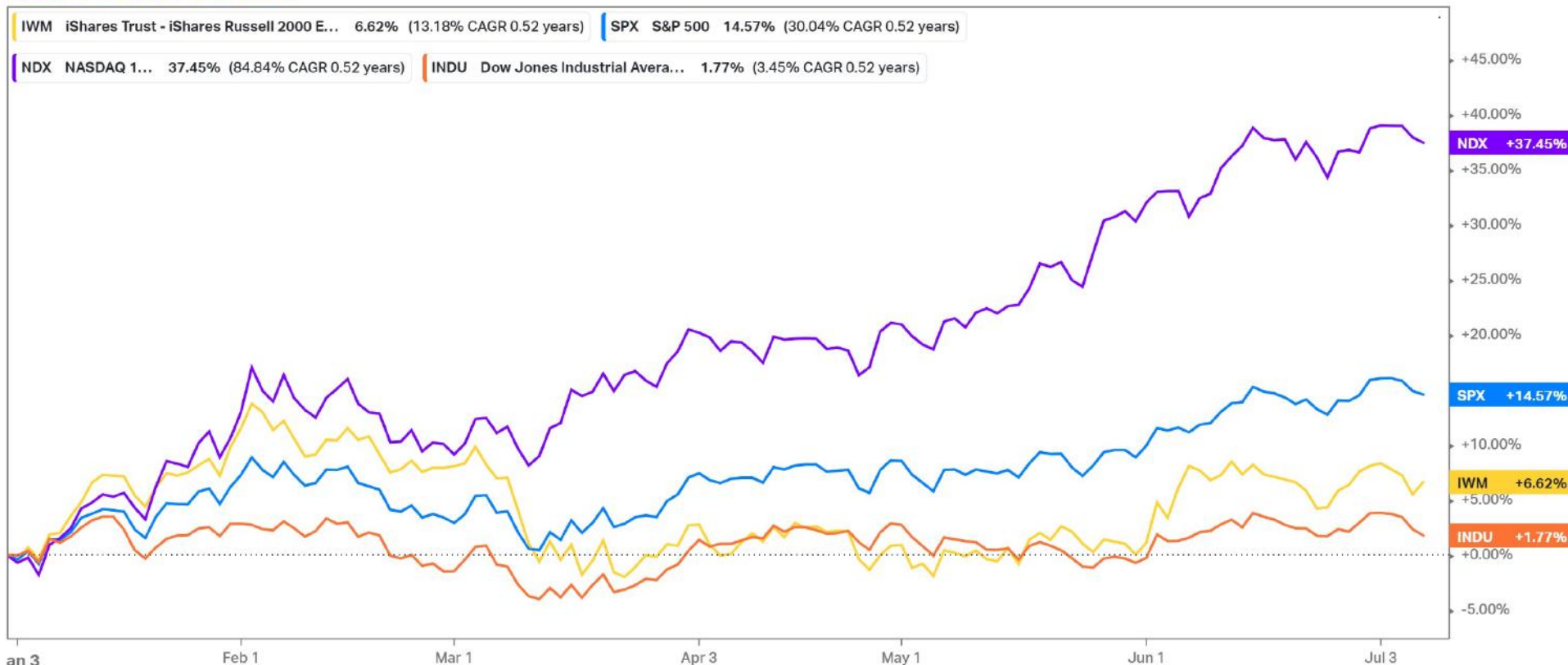


U.S Equities (Indices)



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

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Year-to-date U.S. equities have performed positively. The Nasdaq 100 performing considerably well above the other indices being up +37% YTD.

SP500 and the Russell 2000 are up 14.6% and 6.6%, respectively, year-to-date.

The Dow is the worst relative performer being only up 1.8%, year-to-date.

Upward momentum in equities indices has seemed to slow down in the last month but still remain positive.



Moving Averages (SP500)



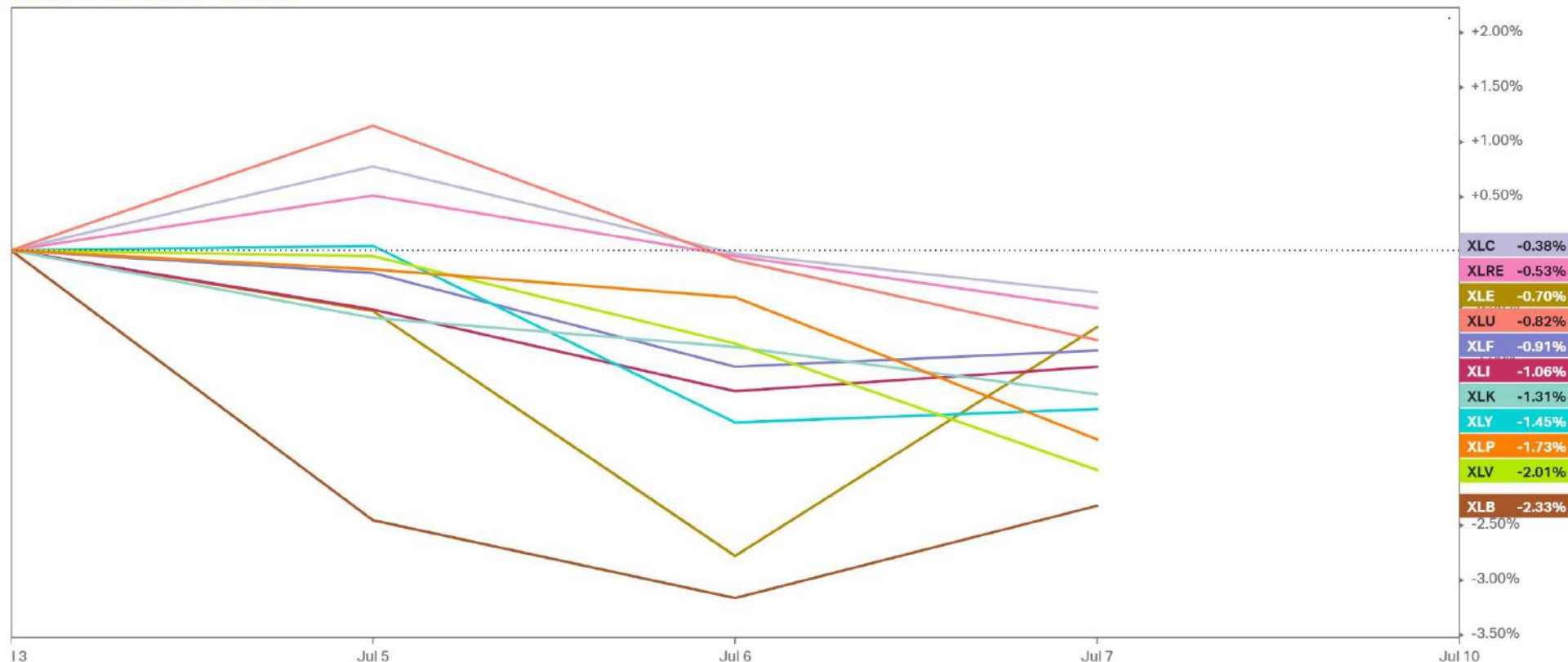
To the left is the 3-year look of the SP500 and its moving averages for the last 50, 100 and 200 days. Though there has been muted performance for the index in the last month, the 50 day simple moving average is well above the 100 and 200 day moving average.



U.S Equities (Sectors)



Weekly Performance of U.S. Equity (Sectors)



On a weekly basis, the materials sector was the worst performer, down by 233 basis points while the communications and real estate sectors were the best relative performers only down 38 and 53 basis points, respectively.



U.S Equities (Sectors)



Year-to-Date Performance of U.S. Equity (Sectors)



Year-to-Date, technology (XLK), communications (XLC) and consumer discretionary (XLY) have been the best performers – all up 30% + year-to-date.

On the other hand, Utilities (XLU) and Energy (XLE) are the worst performers – down 5.81% and 5.85% respectively.

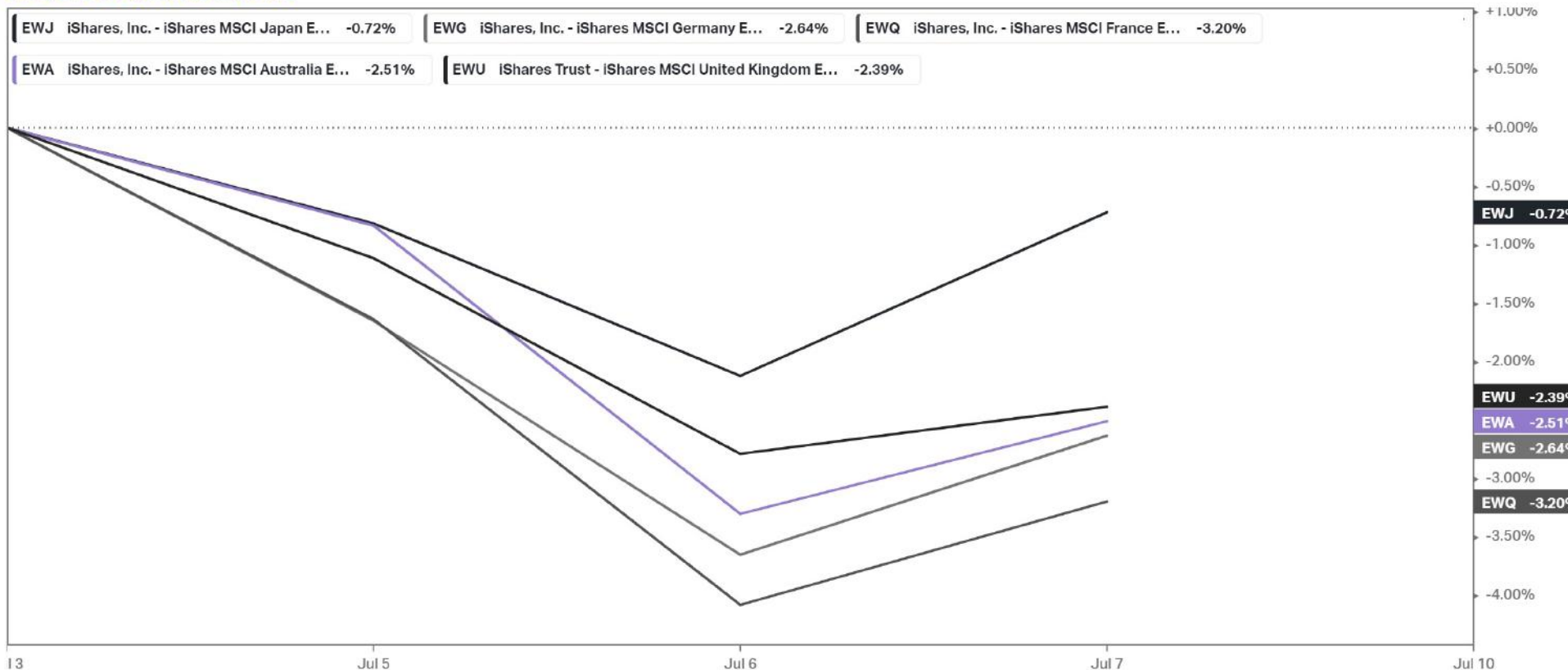


International Equity Markets



Weekly Performance of International Equity Indices

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International equities (developed countries) were generally down on the week. The worst relative performer being French equities (down 3.20%) while Japanese equities were the best relative performers (up 0.72%).

Australian, German and UK equities all traded tightly down by approx. 2.50%.

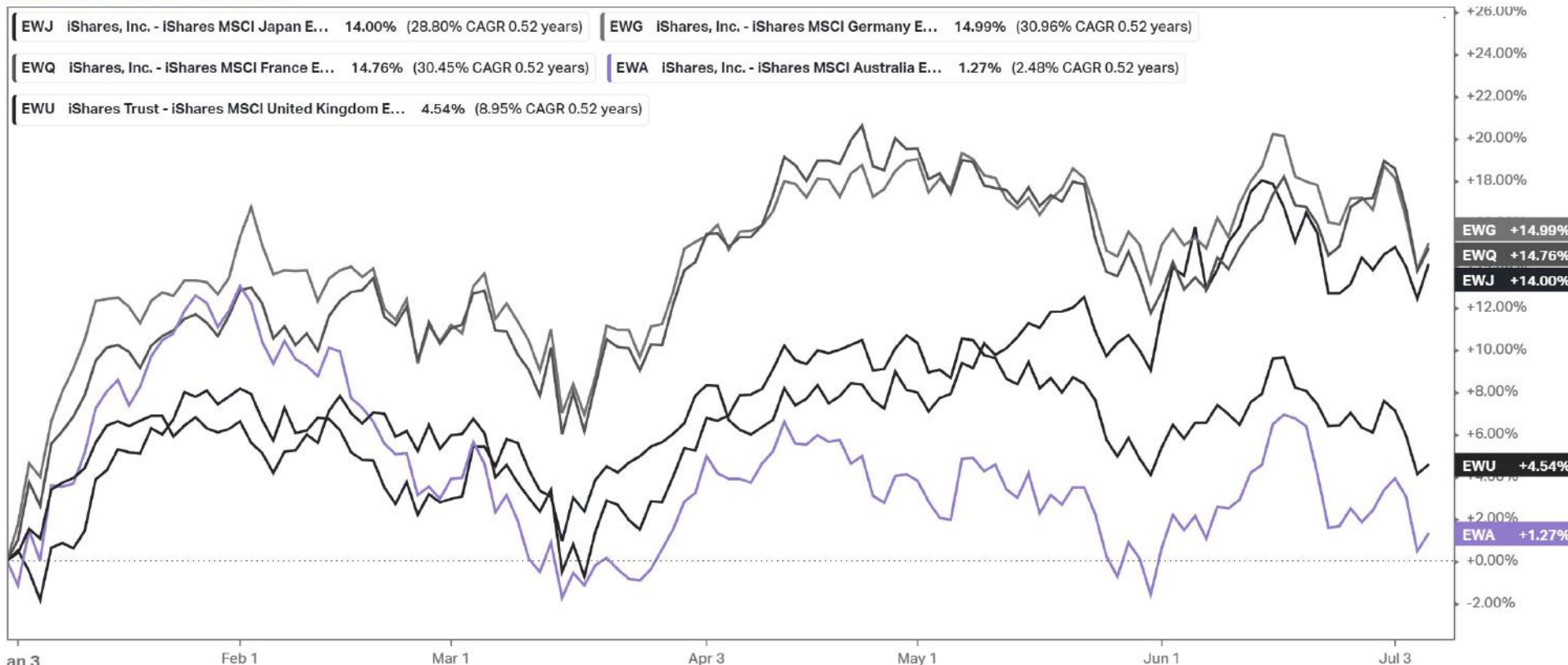


International Equity Markets



Year-to-Date Performance of International Equity Indices

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German equities remain the best performers within the developed market equities group as they are 15.0% up YTD. Followed by France and Japan both up by 14.8% and 14.0%, respectively.

UK equities and Australian equities are up by only 4.5% and 1.4%, respectively.



U.S. Treasuries



U.S. Treasury Rates Year-to-Date



Year-to-Date U.S. Treasury Yields



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

The 10-Yr Treasury rate ended the week at 4.07%. A increase in selling pressure for longer dated treasuries in the last week have elevated longer term treasury rates and narrowed the negative spread between the long term treasury rates and short-term treasury rates (most significantly for the 10-year and the 2-year).



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



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.

The 10Yr-2Yr and the 10Yr-3month negative rate spreads both decreased by 22 basis points and 16 basis points, respectively, on the week.



Currencies

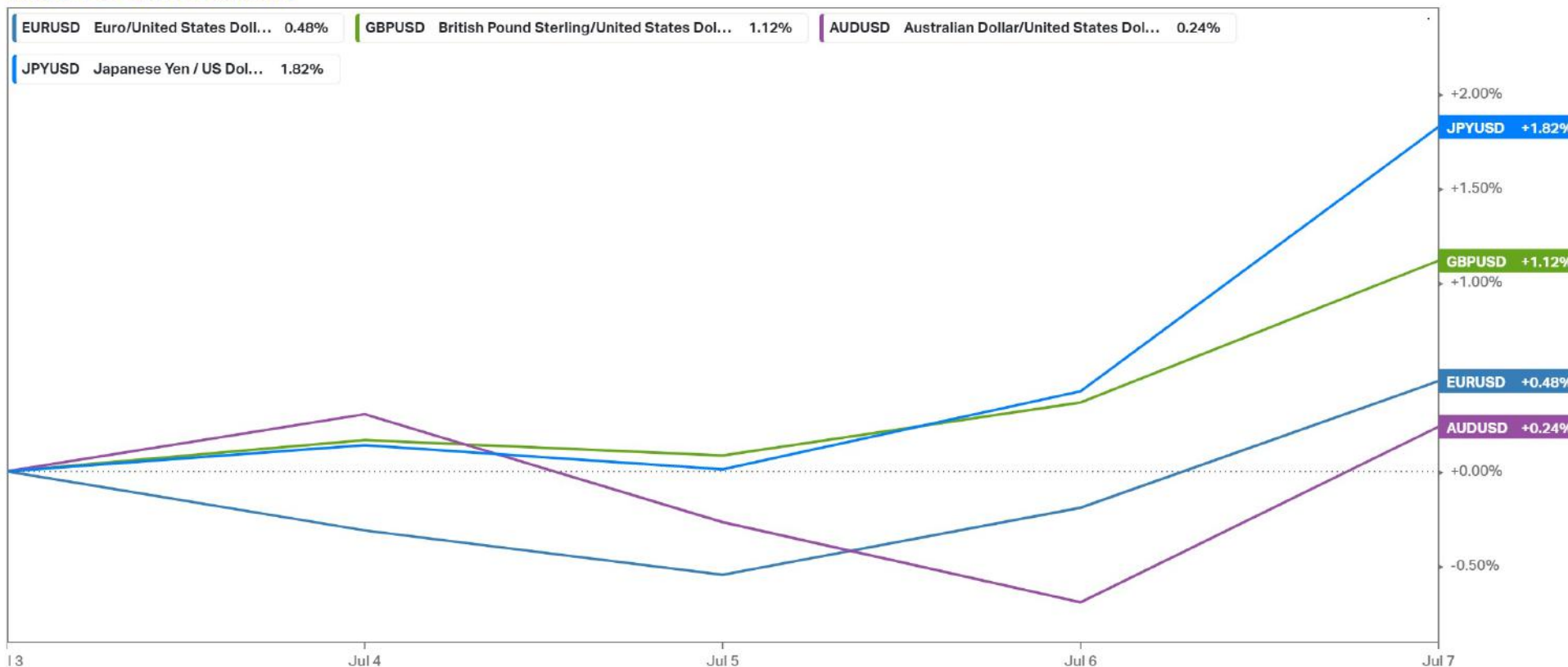


Currencies



Weekly Performance of USD vs other major currencies

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

The Yen and the Pound appreciated against the USD more significantly by 1.82% and 1.12% respectively.

The Euro and the Australian dollar remained somewhat flat on the week.



Currencies



3-Year Performance of USD vs other major currencies

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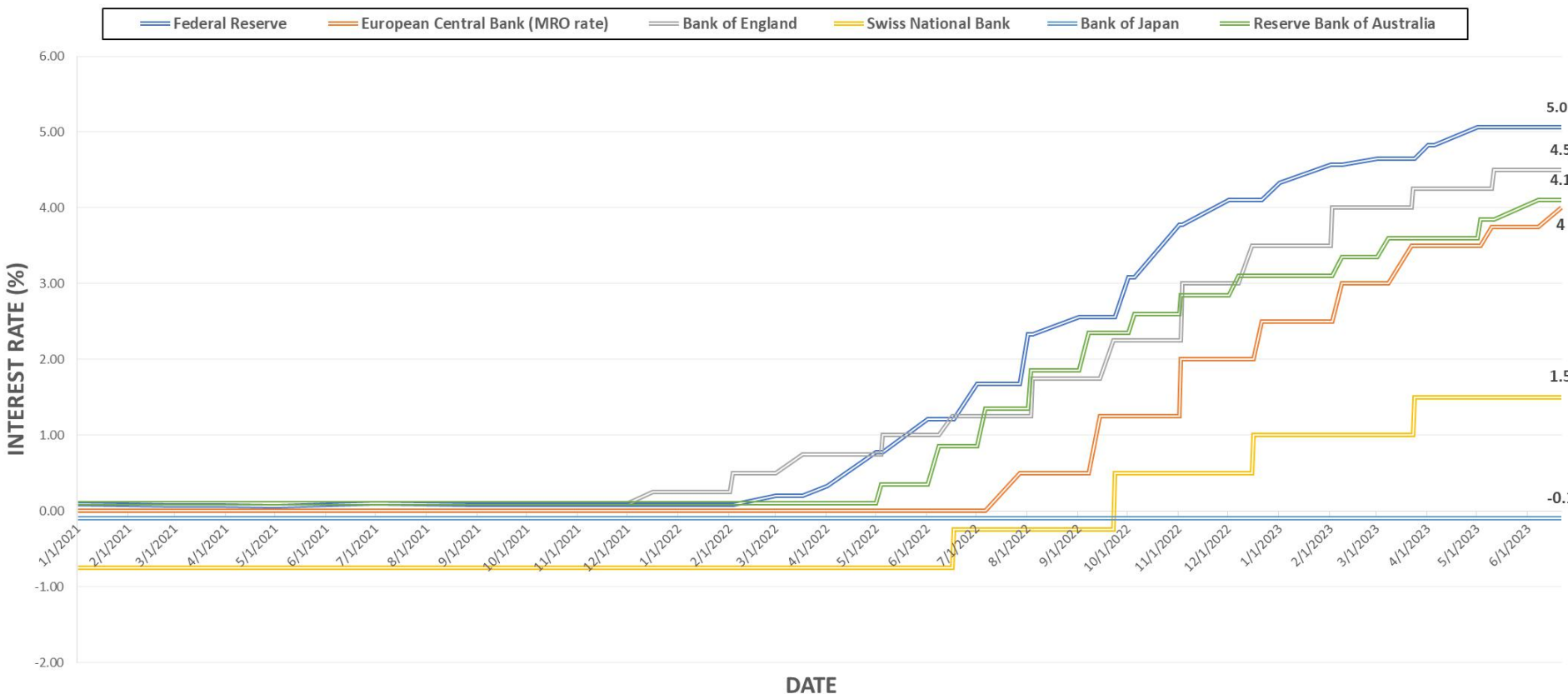


The weekly move continues the months-long trend of a depreciating U.S. dollar versus other global currencies. The British pound and Euro have appreciated significantly since the strength of the USD peaked September of last year, partly attributed to the Bank of England and European Central Bank increasing 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.



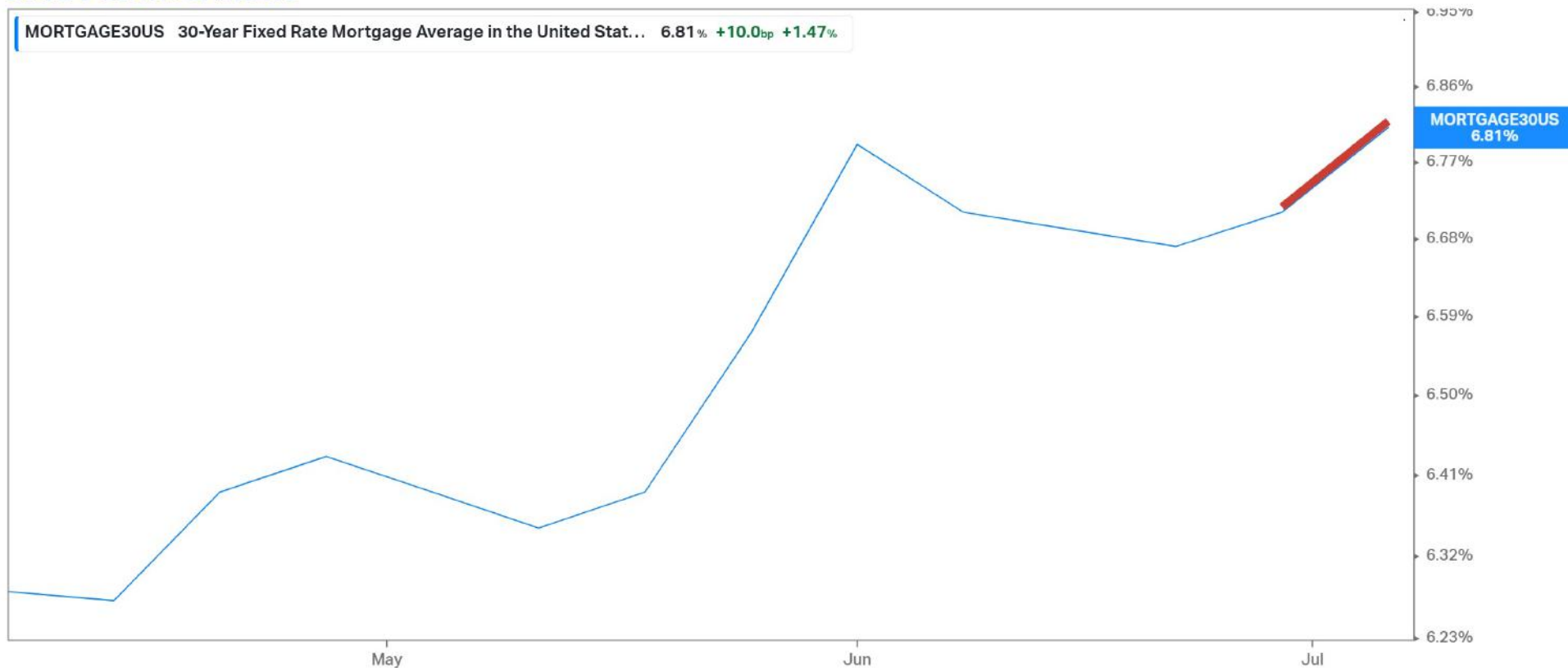
U.S. Housing



U.S. 30-Yr Mortgage Rates (3-month timeseries)



U.S. 30-Year Mortgage (3-Month)



30 Year Mortgage Rate is at 6.81%, compared to 6.71% last week and 5.70% last year.

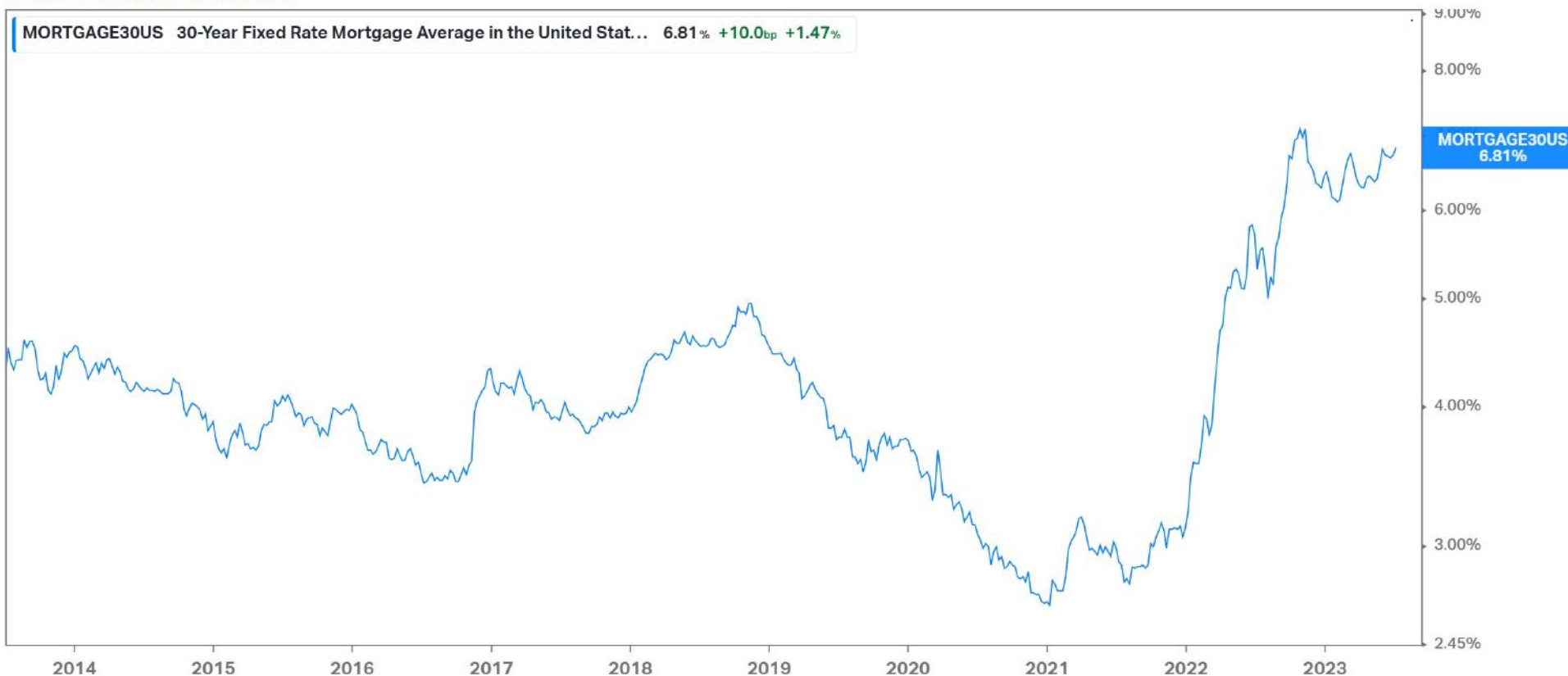


U.S. 30-Yr Mortgage Rates



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

MORTGAGE30US 30-Year Fixed Rate Mortgage Average in the United Stat... 6.81% +10.0bp +1.47%



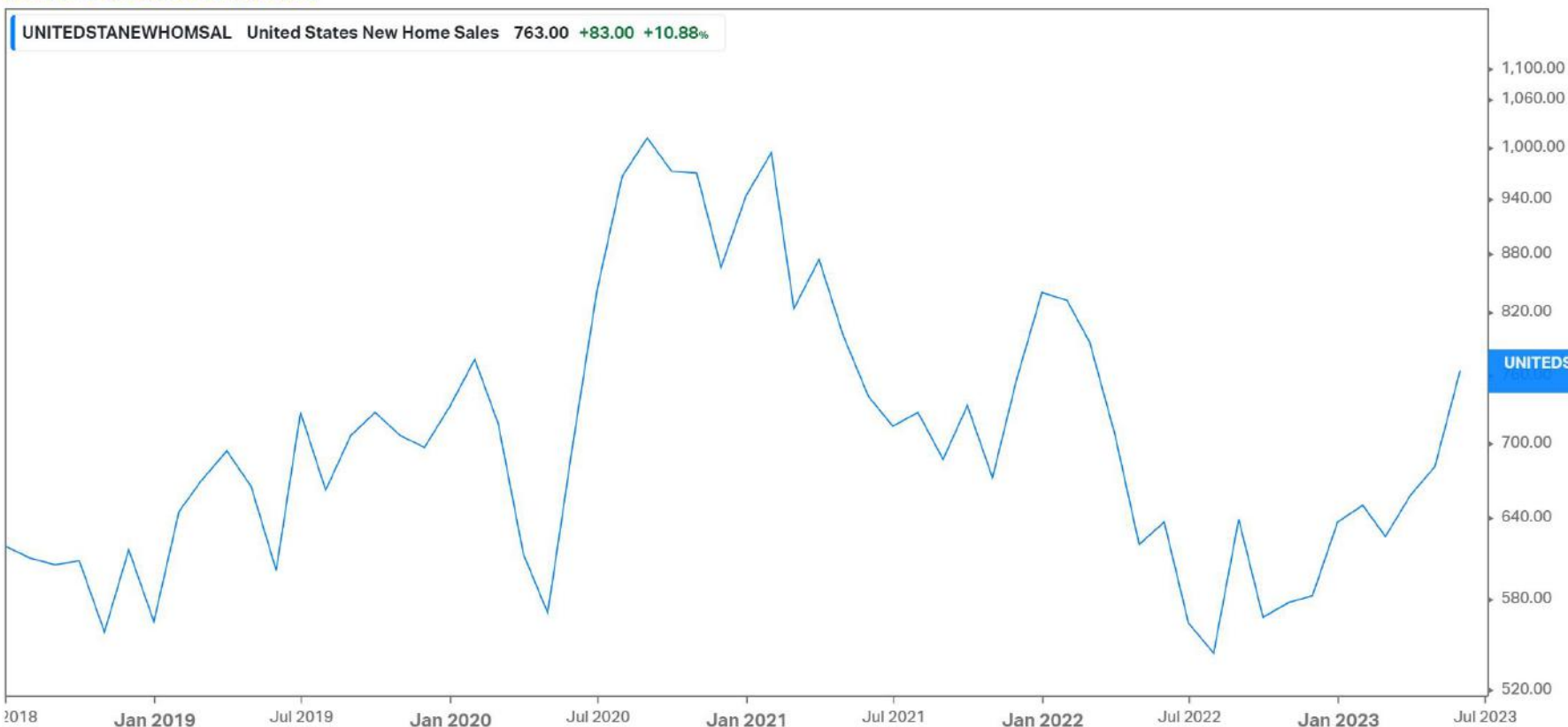
The U.S. 30-year residential mortgage rate (6.81%) remain elevated relative to the prior 10 year and increased by 10 basis points vs the prior week (6.71%).



U.S. Residential Housing Sales



U.S. New Home Sales (5-Year)



U.S. new home sales were up 12.2% MoM versus 3.5% reported last month.

The 763k new homes sold were nearly 100k above the 680k sold the month before and considerably above the 675k expected for the current month.

The spring-time increase in sales and prices coincide with the cyclicity of yearly sales.



Commodities

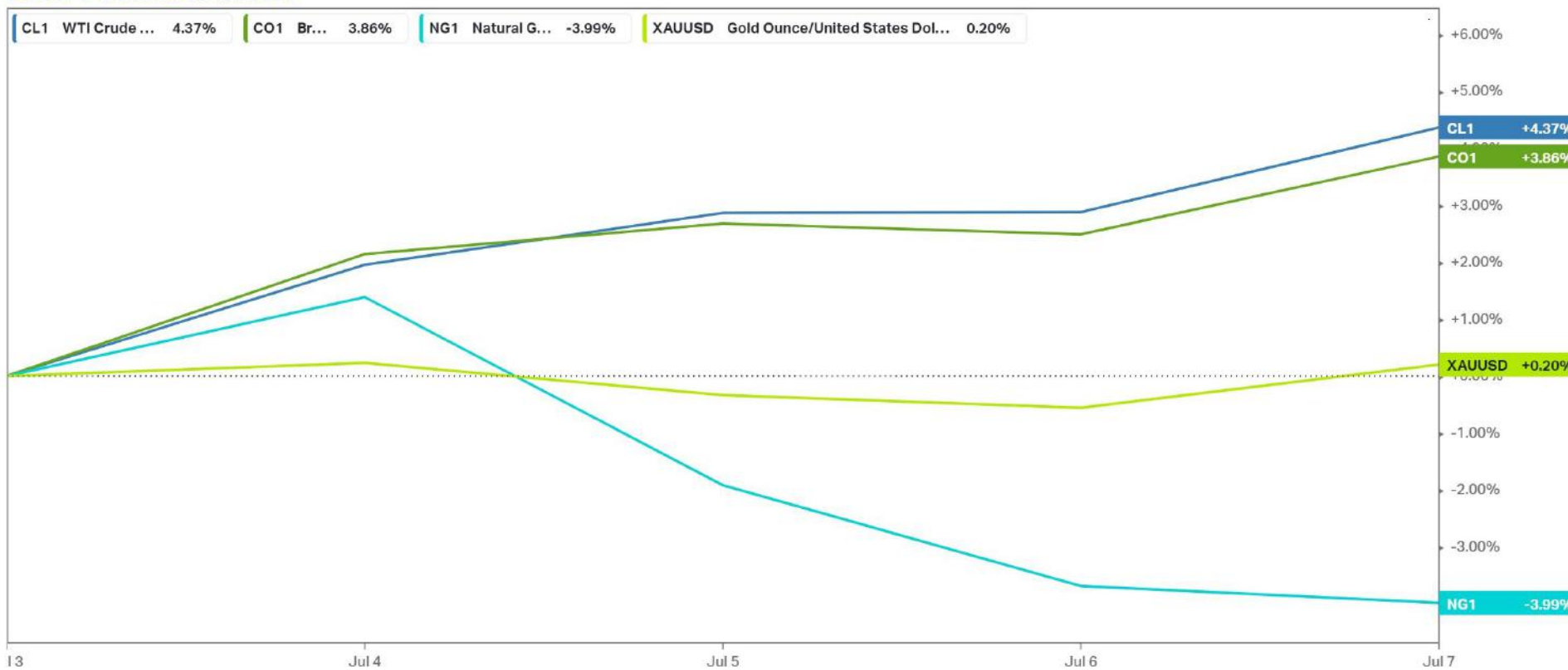


Commodities weekly performance



Weekly Performance of major commodities

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Gold **up** 0.20%.

West Texas Intermediate (WTI) **up** 4.37%

Brent Crude **up** 3.86%

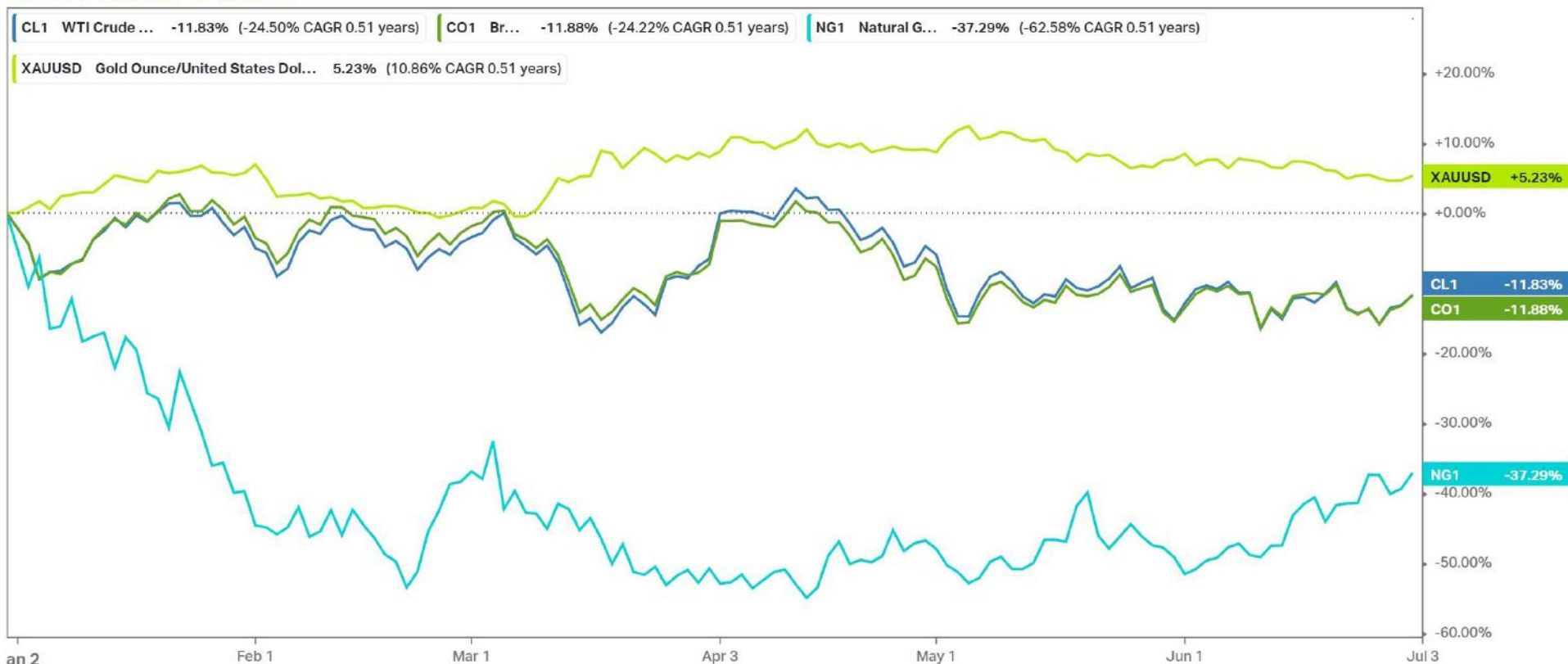
Natural Gas **down** 3.99%



Commodities Year-to-Date performance



Year-to-Date Major Commodities Performance



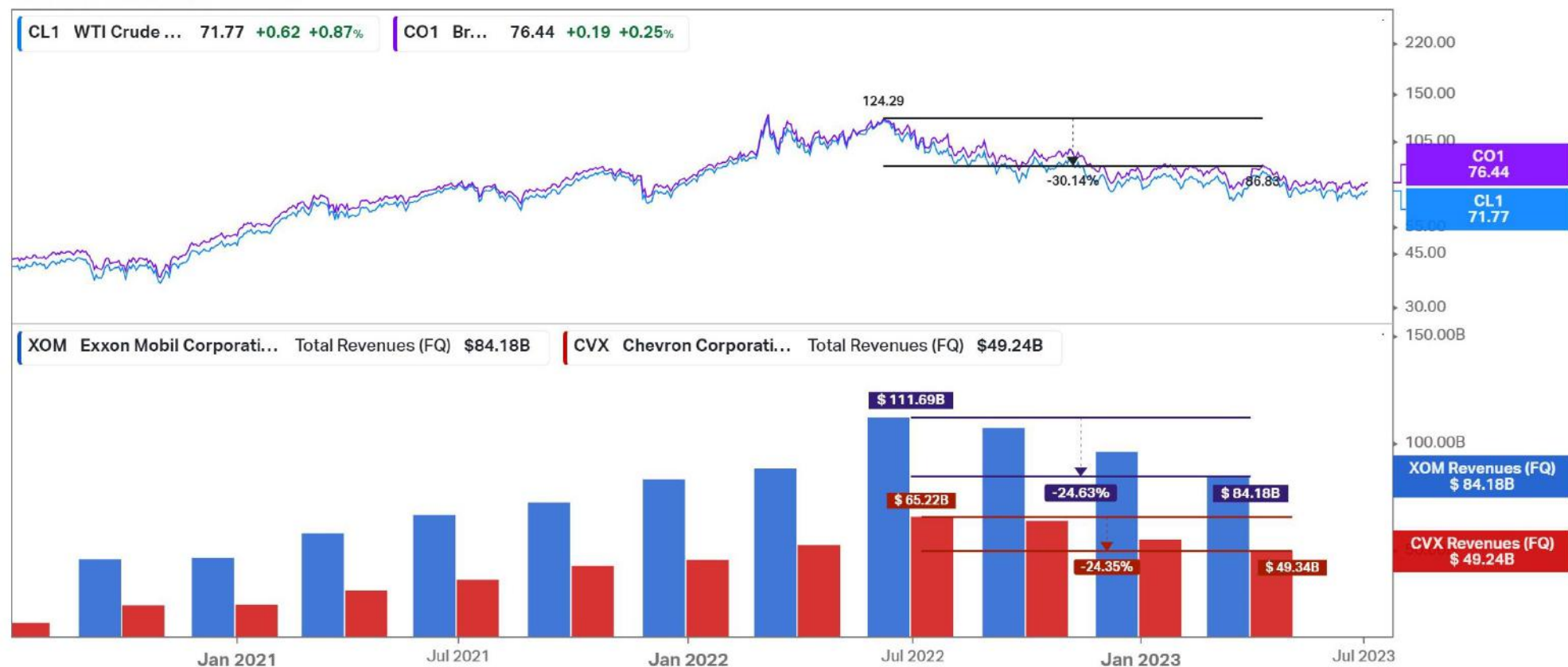
Gold is up YTD by 5.23%. most of the gain came from the beginning of March when bank failures in the U.S. and Switzerland took place.

Oil is down YTD by approx. 12%.

Natural Gas is down by 37.3% YTD.



Oil producer revenue versus oil prices.



Looking briefly at oil prices and oil revenues by producer, as prices dropped by 30% from their peak oil revenues of the two largest U.S. producers of petroleum, Exxon Mobil (XOM) and Chevron (CVX), dropped by 24.6% and 24.4%, respectively.

The oil revenue drop multiple versus oil prices 0.8x suggests that the approx. 14% drop in oil prices since March 31 suggests that oil revenues are to fall further by an additional 10-11%.