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In this week's recap: Bad news gives markets a one-two punch.

Weekly Economic Update

Presented by Wendy Nelson, March 13, 2023

THE WEEK ON WALL STREET

Stocks tumbled last week as investors reconsidered their interest rate expectations after Fed Chair Powell's Congressional testimony that rates may need to go higher. Stocks also were rattled when a west coast bank was placed into receivership on Friday following a run on deposits.

The Dow Jones Industrial Average dropped 4.44%, while the Standard & Poor's 500 lost 4.55%. The Nasdaq Composite index fell 4.71% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, slipped 0.37%. ^{1,2,3}

RATE FEARS, BANK SCARE

Congressional testimony on Tuesday by Fed Chair Jerome Powell that interest rates may require a higher increase faster than planned unnerved investors, dimming the hopes of any pause in rate hikes this summer. After stabilizing the following day, stocks trended lower as the financial sector came under pressure. The lower move was triggered by a specialty bank's liquidity issues, though regional and money center banks could not escape the selling.

Labor market strength in a Friday report exacerbated rate-hike anxieties, though cooling wage gains balanced an above-consensus new jobs number. Markets appeared to take the employment report in

stride but fell on worries arising from the shutdown of a tech-centric bank. ⁴

POWELL'S CONGRESSIONAL TESTIMONY

Fed Chair Powell last week testified on Capitol Hill during which he acknowledged that the economy was running hotter than he had expected. He said that labor market strength and stubbornly elevated inflation may require the Fed to raise rates quicker than anticipated and above levels previously contemplated.

The market did not respond well to Powell's change of tone. Many now see the potential of a 0.50% rate hike coming out of the Federal Open Market Committee's (FOMC) March 21-22 meeting instead of the expected increase of 0.25%. Powell did say that the FOMC would consider the monthly employment report released last Friday and upcoming inflation reports before arriving at a decision.

TIP OF THE WEEK



Entering the armed forces, going to a junior college and transferring to a university, attending a state college instead of a private one – these are all paths toward making higher education more affordable.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Consumer Price Index (CPI).

Wednesday: Producer Price Index (PPI). Retail Sales.

Thursday: Jobless Claims. Housing Starts.

Friday: Industrial Production. Consumer Sentiment. Index of Leading Economic Indicators.

Source: Econoday, March 10, 2023

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Wednesday: Adobe, Inc. (ADBE), Lennar Corporation (LEN).

Thursday: FedEx Corporation (FDX), Dollar General Corporation (DG).

Source: Zacks, March 10, 2023

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



"He who is not courageous enough to take risks will accomplish nothing in life."

MUHAMMAD ALI

Market Index	Close	Week	Y-T-D
DJIA	31,909.64	-4.44%	-3.73
NASDAQ	11,138.89	-4.71%	+6.42%
MSCI-EAFE	2,062.92	-0.37%	+6.12%
S&P 500	3,861.59	-4.55%	+0.58%



Treasury	Close	Week	Y-T-D
10-Year Note	3.70%	-0.27%	-0.18%

Sources: The Wall Street Journal, March 10, 2023; Treasury.gov, March 10, 2023
 Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, March 3, to Friday, March 10, close. Weekly performance for the MSCI-EAFE is measured from Friday, March 3, open to Thursday, March 9, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



You need to park a car for the weekend. You find a parking space marked "2-Hour Parking M-F, 8am-6pm" with no other restrictions. You call the city and find that overnight parking is allowed on this block. So, what is the maximum amount of time you can leave your car in this space without getting a ticket?

LAST WEEK'S RIDDLE: We know that a seahorse isn't a horse, and we know that a silverfish isn't a fish. For that matter, a snakehead isn't a snake – but what is it?

ANSWER: A predatory fish found in both Asia and Africa.

Wendy Nelson may be reached at 720-256-3986 or wnelson@windriverwa.com
windriverwealthadvisors.com

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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CITATIONS:

1. The Wall Street Journal, March 10, 2023
2. The Wall Street Journal, March 10, 2023
3. The Wall Street Journal, March 10, 2023
4. The Wall Street Journal, March 10, 2023

Wendy Nelson

Wealth Advisor

Wind River Wealth Advisors

PO Box 163, Cora, WY 82925

Phone: 720-256-3986

wnelson@windriverwa.com windriverwealthadvisors.com

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