Summary

U.S. stocks ended Friday higher with all three major indices finishing in the green for the week as fears surrounding the banking sector subsided towards the end of the week. The Dow Jones Industrial Average rose 1.2%, the S&P 500 increased 1.4%, and the NASDAQ climbed 1.7% for the week. Last week was a slower week for economic reports, albeit an important one due to the FOMC rate decision. The FOMC raised the target range for the federal funds rate by 25 basis points to 4.75% to 5.00%. The Committee dropped language regarding "ongoing rate increases" from its March statement as many experts anticipate the rate hikes to end in the upcoming months. Comments from Chairman Powell, however, also suggested that rate cuts are unlikely in 2023. Existing home sales surged 14.5% in February to a seasonally adjusted annual rate of 4.58 million and year-over-year median home prices dropped for the first time in 131 months. New home sales underperformed against expectations in February, with a total of 640,000 units sold at a seasonally adjusted annual rate. Durable goods orders were down 1.0% in February compared with expectations for a 1.6% increase. Initial unemployment claims for the week ending March 18 decreased 1,000 to 191,000. Continuing jobless claims for the week ending March 11 rose 14,000 to 1,694,000.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Existing Home Sales (Feb – Tu 10:00)	4.58 MUAR	4.16 MUAR	Year-over-year median home prices dropped for the first time in 131 months
FOMC Rate Decision (Mar – We 2:00)	4.75%-5.00%	4.75-5.00%	Increase of 25 basis points
Initial Claims (3/18 – Th 8:30)	191 K	204 K	
Continuing Claims (3/11 – Th 8:30)	1,694 K	N.A.	
New Home Sales (Feb – Th 10:00)	640 K	650 K	Down 19.0% year-over-year
Durable Orders (Feb – Fr 8:30)	-1.0%	+1.6%	
Upcoming Week: Indicator	**Consensus Expectation***	**Last Period**	**Comment**
Consumer Confidence (Mar – Tu 10:00)	101.5	102.9	
Pending Home Sales (Feb – We 10:00)	-2.3%	+8.1%	
Initial Claims (3/25 – Th 8:30)	196 K	191 K	
Continuing Claims (3/18 – Th 8:30)	N.A.	1,694 K	Not available
GDP – Third Estimate (Q4 – Th 8:30)	+2.7%	+2.7%	
Personal Income (Feb – Fr 8:30)	+0.3%	+0.6%	
Personal Spending (Feb – Fr 8:30)	+0.3%	+1.8%	
PCE Prices (Feb – Fr 8:30)	+0.4%	+0.6%	
PCE Prices – Core (Feb – Fr 8:30)	+0.4%	+0.6%	
U. Michigan Consumer Sentiment (Mar – Fr 10 :00)	63.4	63.4	

**Sources: www.briefing.com and www.federalreserve.gov*

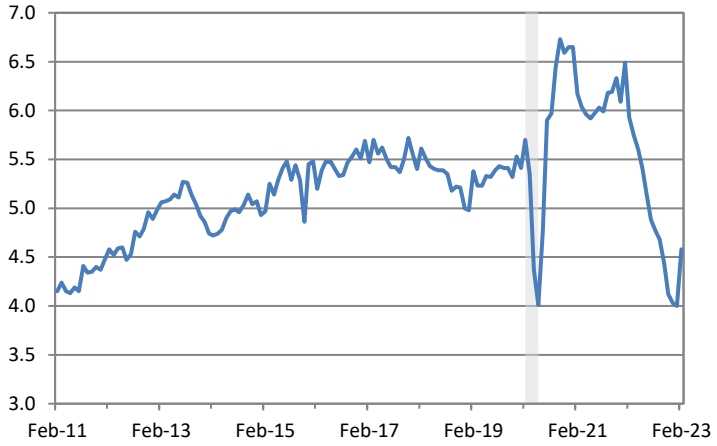
Economic Review

Sales of existing homes increased more than expected in February while the median sales price of an existing home declined year-over-year for the first time in 131 months. EXISTING HOME SALES, which are counted when contracts are closed, rose 14.5% to 4.58 million units at an annualized rate (MUAR) from 4.00 MUAR in January. From February 2022, sales were down 22.6%. First-time buyers purchased 27% of all existing homes sold last month, a slight decline from January. All-cash sales represented 28% of sales in February. The median sales price decreased 0.2% from February 2022 to $363,000. The drop represented the end of a record 131 month-long streak of year-over-year price increases. At the current sales pace, it would take 2.6 months to sell the 0.98 million existing homes for sale. Sales rose in all four regions: 13.5% in the Midwest, 4.0% in the Northeast, 15.9% in the South, and 19.4% in the West.

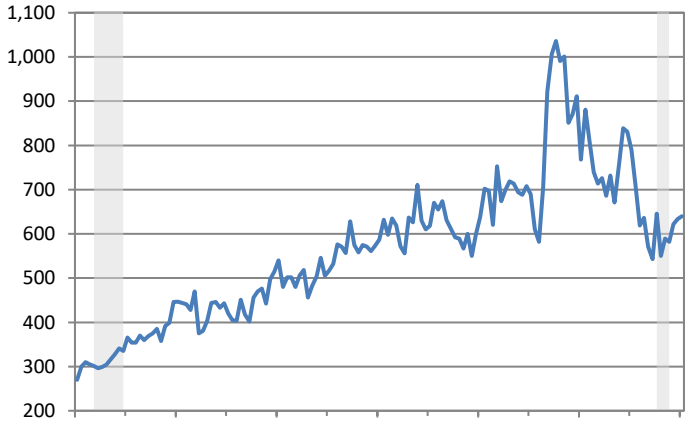
NEW HOME SALES, which are counted at contract signing, rose 1.1% in February to 640,000 units sold at a seasonally adjusted annual rate. The February results are down 19.0% from last February's rate. The median sales price for a new home in February was $438,200 (a 2.5% increase from a year earlier) and the average sales price was $498,700. At the February rate, there was a supply of 8.2 months of new homes for sale. This is up from 6.0 months in February 2022, which is a rate more closely associated with a balanced housing market. The Northeast region saw a 40.0% decrease in new home sales from January while sales rose 8.1% in the West, climbed 3.0% in the South and dropped 1.4% in the Midwest. New home sales have increased in four of the past five months, but supply pressures and affordability will likely remain an issue for sales in the months ahead.

DURABLE GOODS ORDERS fell 1.0% after a downwardly revised decline of 5.0% in January. Durable goods excluding transportation were unchanged in February. New orders for primary metals increased 0.3%, new orders for fabricated metals rose 0.4%, and new orders for machinery decreased 0.5% in February. The biggest news from this report was that manufacturing unexpectedly decline in headline orders after the January decrease was revised lower. New orders for manufactured durable goods have declined in three of the past four months.

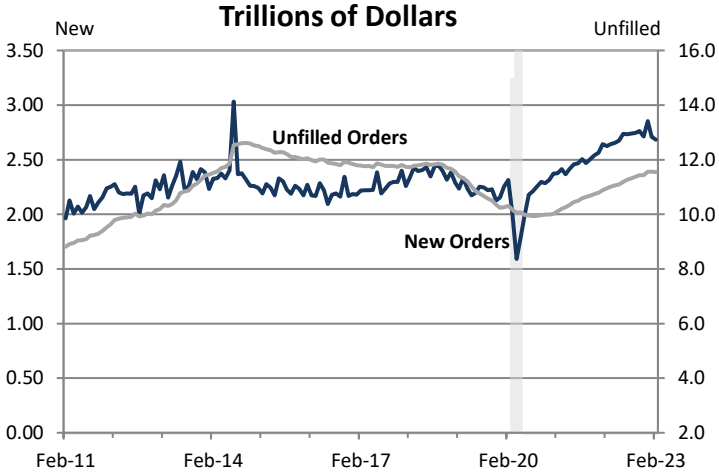
Existing Home Sales
Million of Units, Annualized Rate



New Home Sales
Thousands



Durable Goods Orders
Trillions of Dollars



Fed Speeches

The Federal Open Market Committee (FOMC) met last week and raised the target range for the federal funds rate to 4.75% to 5.00%. The FOMC statement noted that "inflation remains elevated" and that "job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low." The FOMC also commented on the recent events in the banking system.

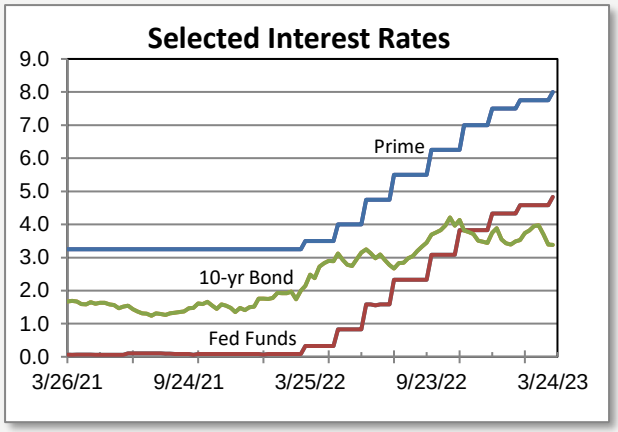
The U.S. banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain. The Committee is highly attentive to inflation risks.

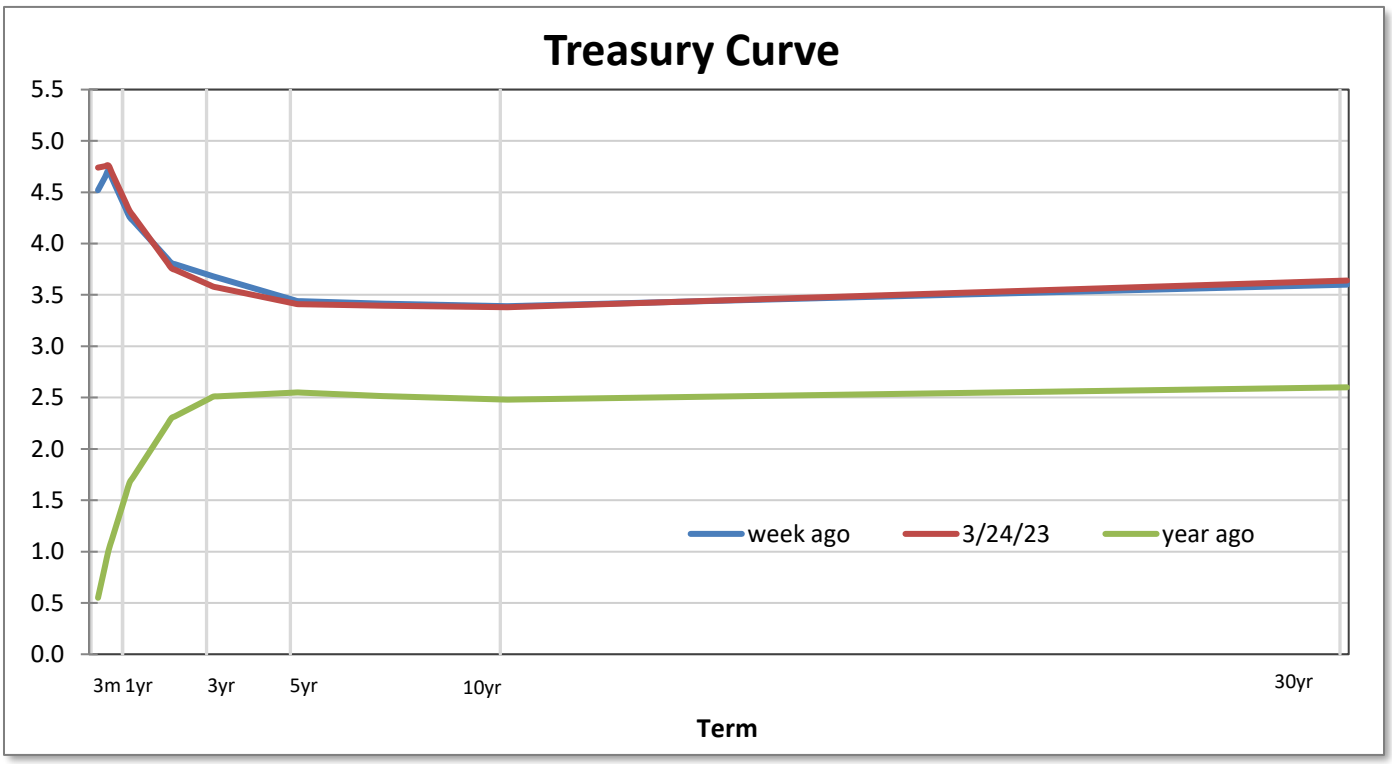
The Committee went on to say that it is prepared to continue increasing the target range for the federal funds rate as it tries to control inflation.

The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. In support of these goals, the Committee decided to raise the target range for the federal funds rate to 4-3/4 to 5 percent. The Committee will closely monitor incoming information and assess the implications for monetary policy. The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time.

Financial Markets

U.S. stocks were up last week as the Dow Jones Industrial Average rose 1.2%, the S&P 500 increased 1.4%, and the NASDAQ climbed 1.7%. Treasury yields were mixed across the long end of the curve with the 10-year yield dropping 1 basis points (bps) to 3.38% and the 30-year yield increasing 4 bps to 3.64%. Oil prices rose 4.5% and ended the week at $69.18 per barrel. The U.S. dollar declined 0.9% against the Japanese yen while the euro moved up 0.9% against the greenback last week.





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) raised the federal funds rate target to 4.75% to 5.00% at the Fed's March policy meeting. In the statement released following the March meeting, the FOMC said, "Recent indicators point to modest growth in spending and production. Job gains have picked up in recent months and are running at a robust pace; the unemployment rate has remained low. Inflation remains elevated. The U.S. banking system is sound and resilient. Recent developments are likely to result in tighter credit conditions for households and businesses and to weigh on economic activity, hiring, and inflation. The extent of these effects is uncertain. The Committee remains highly attentive to inflation risks."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
1st Qtr '23	7.66	4.51	4.48	4.88	4.37	3.67	3.82	6.28
2nd Qtr	8.17	5.04	5.02	5.22	4.77	4.13	4.34	6.53
3rd Qtr	8.25	5.13	5.11	5.15	4.91	4.45	4.65	6.65
4th Qtr	8.25	5.13	5.11	5.02	5.06	4.75	4.95	6.62
1st Qtr '24	8.25	5.13	5.11	5.00	5.06	5.06	5.15	6.62

Forecast as of February 24, 2023

FINANCIAL MARKET SUMMARY

	As of 3/24/2023	As of 3/17/2023	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.00	7.75	25	25	50
LIBOR Index Base Rate (1Month)	4.84	4.76	8	22	45
Fed Funds (Wed close)	4.83	4.58	25	25	50
TREASURIES (BE) (Changes in BPs)					
3 Months	4.74	4.52	22	(12)	40
6 Months	4.76	4.71	5	(30)	9
1 Year	4.32	4.26	6	(73)	(34)
2 Years	3.76	3.81	(5)	(102)	(55)
5 Years	3.41	3.44	(3)	(78)	(45)
10 Years	3.38	3.39	(1)	(57)	(37)
30 Years	3.64	3.60	4	(29)	(18)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.43	2.52	(9)	(52)	(20)
5-Year Muni	2.26	2.36	(10)	(38)	(26)
10-Year Muni	2.31	2.39	(8)	(33)	(28)
30-Year Muni	3.40	3.46	(6)	(26)	(16)
30-Year Conventional Mortgage	6.42	6.60	(18)	(8)	15
MARKET INDICATORS (Changes in %)					
DJIA	32,237.53	31,861.98	1.2	(1.8)	(2.9)
S&P 500	3,970.99	3,916.64	1.4	0.0	3.3
NASDAQ	11,823.96	11,630.51	1.7	3.8	12.6
CRB Futures	283.50	279.04	1.6	(2.9)	(6.0)
Oil (WTI Crude)	69.18	66.21	4.5	(9.4)	(6.9)
Gold	1,975.75	1,997.50	(1.1)	8.7	9.5
Yen / Dollar	130.75	131.93	(0.9)	(4.2)	(1.6)
Dollar / Euro	1.08	1.07	0.9	2.0	1.4

