Summary

U.S. stocks ended Friday lower but all three of the major indices finished in the green for the week. Shares of JPMorgan Chase experienced their best week since November 2020 as banking sector concerns continued to dissipate. The Dow Jones Industrial Average climbed 1.2%, the S&P 500 rose 0.8%, and the NASDAQ increased 0.3% for the week. Last week was a busy week for economic reports. The Consumer Price Index inched up 0.1% in March and was up 5.0% from a year earlier. Core CPI, which excludes food and energy, rose 0.4% in March and was up 5.6% from March 2022. The Producer Price Index fell 0.5% in March and was up 2.7% from a year earlier. Core PPI, which excludes food and energy, declined 0.1% in March and was up 3.4% from March 2022. Retail sales dropped 1.0% in March and retail sales excluding automobiles decreased 0.8%. Industrial production increased 0.4% in March and capacity utilization rose to 79.8% following an upwardly revised reading of 79.6% for February. Wholesale inventories increased 0.1% and business inventories rose 0.2% for the month of February. Initial jobless claims for the week ending April 8 increased 11,000 to 239,000. Continuing jobless claims for the week ending April 1 decreased 13,000 to 1,810,000.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Wholesale Inventories (Feb – Mo 10:00)	+0.1%	+0.2%	
CPI (Mar – We 8:30)	+0.1%	+0.3%	Up 5.0% year-over-year
Core CPI (Mar – We 8:30)	+0.4%	+0.4%	Up 5.6% year-over-year
Treasury Budget (Mar – We 2:00)	-$378.1 Bil.	-$253.0 Bil.	
PPI (Mar – Th 8:30)	-0.5%	+0.1%	Up 2.7% year-over-year
Core PPI (Mar – Th 8:30)	-0.1%	+0.2%	Up 3.4% year-over-year
Initial Claims (4/8 – Th 8:30)	239 K	236 K	
Continuing Claims (4/1 – Th 8:30)	1,810 K	N.A.	
Retail Sales (Mar – Fr 8:30)	-1.0%	-0.4%	Most retail categories experienced a decline in sales
Retail Sales ex-auto (Mar – Fr 8:30)	-0.8%	-0.4%	
Industrial Production (Mar – Fr 9:15)	+0.4%	+0.2%	Industrial production gains were entirely driven by increased output of utilities
Capacity Utilization (Mar – Fr 9:15)	79.8%	79.0%	
Business Inventories (Feb – Fr 10 :00)	+0.2%	+0.3%	
Upcoming Week: Indicator	**Consensus Expectation***	**Last Period**	**Comment**
NAHB Housing Market Index (Apr – Mo 8:30)	46	44	
Building Permits (Mar – Tu 8:30)	1,407 TUAR	1,524 TUAR	
Housing Starts (Mar – Tu 8:30)	1,458 TUAR	1,450 TUAR	
Initial Claims (4/15 – Th 8:30)	242 K	239 K	
Continuing Claims (4/8 – Th 8:30)	N.A.	1,810 K	Not available
Existing Home Sales (Mar – Th 10:00)	4.50 MUAR	4.58 MUAR	
Leading Indicators (Mar – Th 10:00)	-0.4%	-0.3%	

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

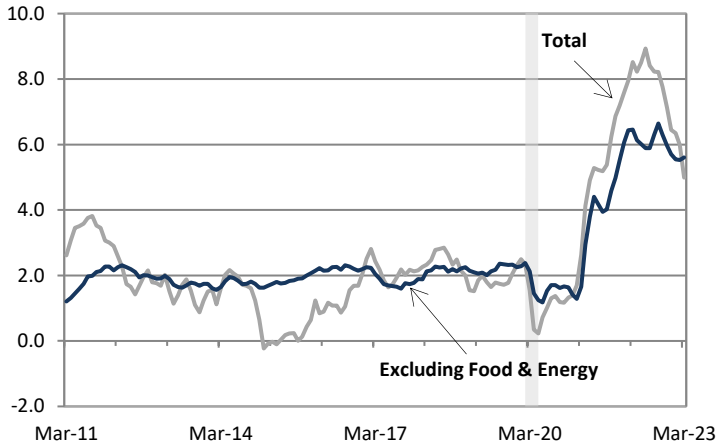
Economic Review

The CONSUMER PRICE INDEX (CPI) increased 0.1% in March and core consumer prices rose 0.4%. Consumer food prices were flat month-over-month while consumer shelter prices were up 0.6%. The shelter index is up 8.2% year-over-year. The food index is 8.5% higher on a year-over-year basis. Overall consumer prices rose 5.0% from March 2022, compared with a 5.6% increase for core consumer prices. This was the smallest 12-month increase in total CPI since May 2021. While recent CPI reports have shown deceleration from "peak inflation," inflation remains high enough to indicate that the Fed is likely to enact another rate hike at the May FOMC meeting.

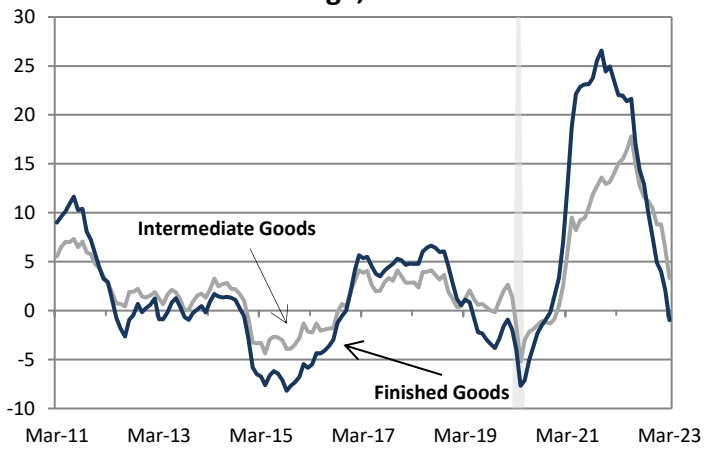
The PRODUCER PRICE INDEX (PPI) for final demand decreased 0.5% in March following an upwardly revised 0.0% reading in February, while the core PPI for final demand declined 0.1% month-over-month after an upwardly revised increase of 0.2% in February. From a year earlier, the index for final demand rose 2.7% compared with 4.9% in February. The core measure was up 3.4%, compared with 4.8% in February. The PPI report showed a significant drop in current inflation, but the stickiness of core-PPI levels in March may put a damper on the excitement around the PPI reading and inflation levels as a whole. Consumers and producers alike will continue to look to the Federal Reserve to control inflation and for inflation to continue slowing.

Sales at U.S. retailers decreased in March. RETAIL SALES (seasonally adjusted) fell 1.0% last month after decreasing an upwardly revised 0.2% in February. Retail sales (excluding automobiles) were down 0.8% after an upwardly revised unchanged reading in February. Motor vehicle and parts dealers' sales dropped 1.6% and furniture and home furnishing store sales decreased 1.2% after a 2.7% drop in February. Gasoline station sales dropped 5.5% after an unchanged reading in February. Declines in sales occurred across the majority of retail categories, indicating weakness in consumer spending on goods that will likely increase concerns about a potential forthcoming economic slowdown.

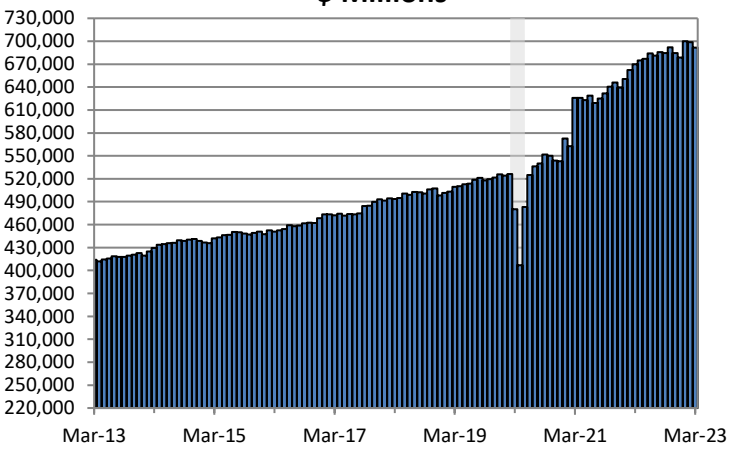
Consumer Price Index
Percent Change, Year-Over-Year



Producer Price Index
Percent Change, Year-Over-Year



Retail Sales
$ Millions



Fed Speeches

Patrick Harker, the President and CEO of the Federal Reserve Bank of Philadelphia, gave opening remarks last week at the Wharton Initiative on Financial Policy & Regulation in Philadelphia, Pennsylvania. President Harker ensured the resilience of the U.S. banking system:

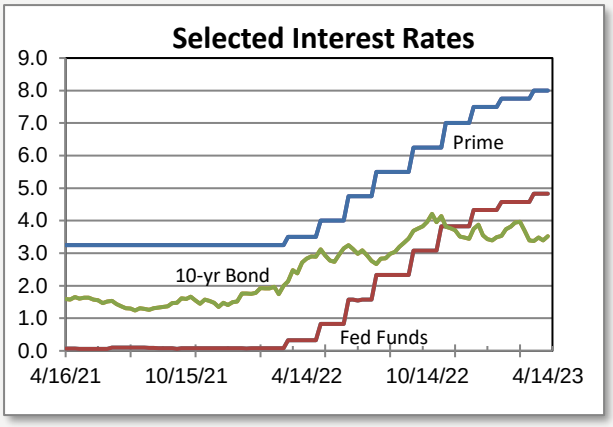
> *One of the Fed's most important jobs is supervising and regulating banks. So let me put your minds at ease: The U.S. banking system is sound and resilient. But we're not taking anything for granted. We know that problems in a few banks, if left unattended, can undermine confidence in healthy banks. That's why the Federal Reserve is leading a thorough, transparent, and swift review of the events involving SVB so that we can learn from this experience.*

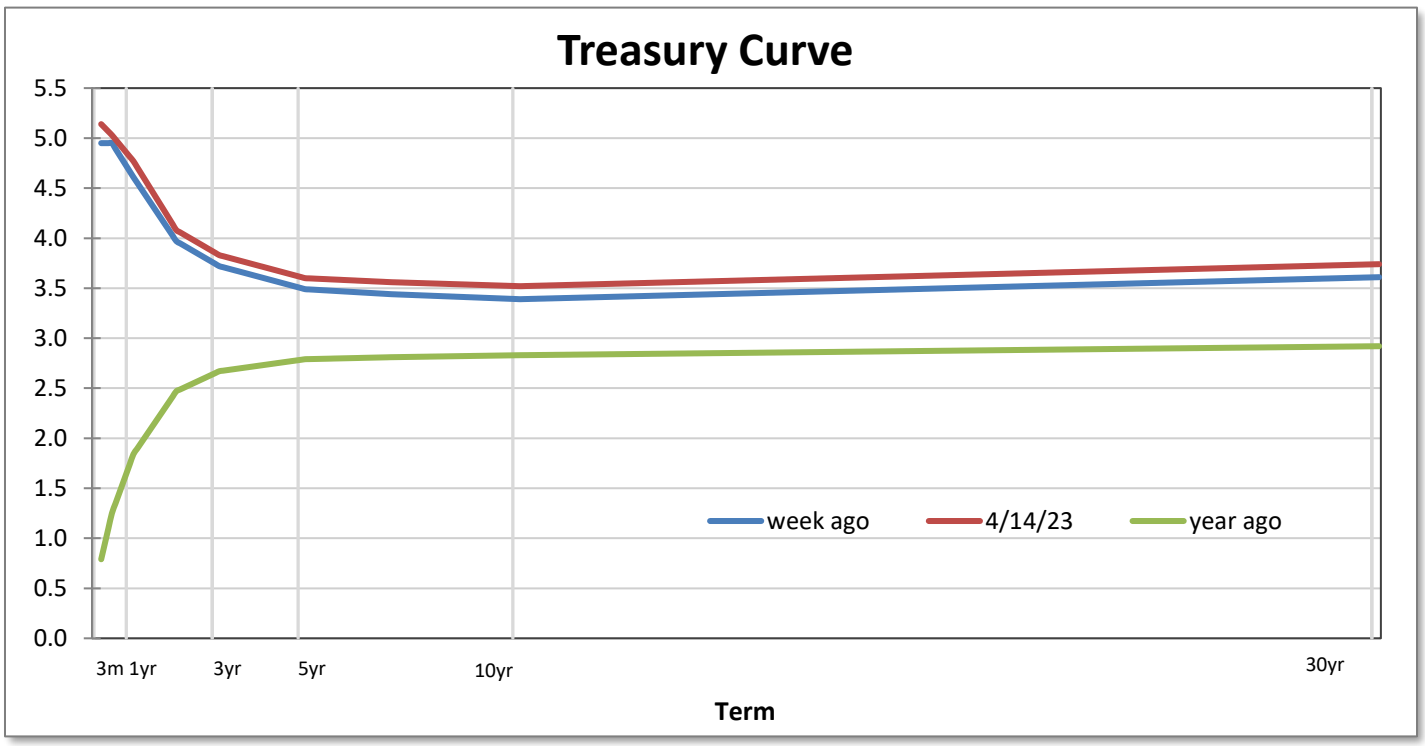
President Harker also discussed expectations for inflation and the economy in the upcoming months:

> *To combat inflation, the Fed is working to slow the economy modestly and bring it more in line with supply. To accomplish this, we have increased the federal funds rate — our primary monetary policy tool — by 475 basis points since March 2022. Balance sheet reduction is another way to tighten conditions. We're already seeing promising signs that these actions are working — for example, house price indexes are cooling. Since the full impact of monetary policy actions can take as much as 18 months to work its way through the economy, we will continue to look closely at available data to determine what, if any, additional actions we may need to take.*

Financial Markets

U.S. stocks were higher last week as the Dow Jones Industrial Average climbed 1.2%, the S&P 500 rose 0.8%, and the NASDAQ increased 0.3%. Treasury yields were higher across the long end of the curve with the 10-year yield rising 13 basis points (bps) to 3.52% and the 30-year yield increasing 13 bps to 3.74%. Oil prices climbed 2.4%, ending the week at $82.62 per barrel. The U.S. dollar moved up 1.2% against the Japanese yen while the euro climbed 0.8% 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
2nd Qtr '23	8.17	5.04	4.98	5.24	4.84	4.51	4.58	6.9
3rd Qtr	8.25	5.13	5.06	5.18	4.98	4.82	4.81	6.8
4th Qtr	8.25	5.13	5.06	4.96	5.13	5.06	5.16	6.7
1st Qtr '24	8.25	5.13	5.06	4.93	5.13	5.19	5.23	6.8
2nd Qtr	8.09	4.96	4.90	4.83	5.03	5.09	5.14	6.7

Forecast as of April 7, 2023

FINANCIAL MARKET SUMMARY

	As of 4/14/2023	As of 4/7/2023	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	8.00	8.00	0	25	50
LIBOR Index Base Rate (1Month)	4.95	4.90	5	19	49
Fed Funds (Wed close)	4.83	4.83	0	25	50
TREASURIES (BE) (Changes in BPs)					
3 Months	5.14	4.95	19	62	48
6 Months	5.03	4.95	8	32	27
1 Year	4.77	4.61	16	51	11
2 Years	4.08	3.97	11	27	(4)
5 Years	3.60	3.49	11	16	7
10 Years	3.52	3.39	13	13	9
30 Years	3.74	3.61	13	14	18
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.27	2.30	(3)	(25)	0
5-Year Muni	2.07	2.09	(2)	(29)	(16)
10-Year Muni	2.10	2.11	(1)	(26)	(23)
30-Year Muni	3.23	3.24	(1)	(23)	(9)
30-Year Conventional Mortgage	6.27	6.28	(1)	(33)	(6)
MARKET INDICATORS (Changes in %)					
DJIA	33,886.47	33,485.29	1.2	6.4	(1.2)
S&P 500	4,137.64	4,105.02	0.8	5.6	3.5
NASDAQ	12,123.47	12,087.96	0.3	4.2	9.4
CRB Futures	303.79	298.81	1.7	8.9	1.3
Oil (WTI Crude)	82.62	80.70	2.4	8.0	12.0
Gold	2,005.53	2,007.91	(0.1)	0.4	4.3
Yen / Dollar	133.81	132.16	1.2	1.4	4.7
Dollar / Euro	1.10	1.09	0.8	3.1	1.5