



**Economic & Market Commentary**

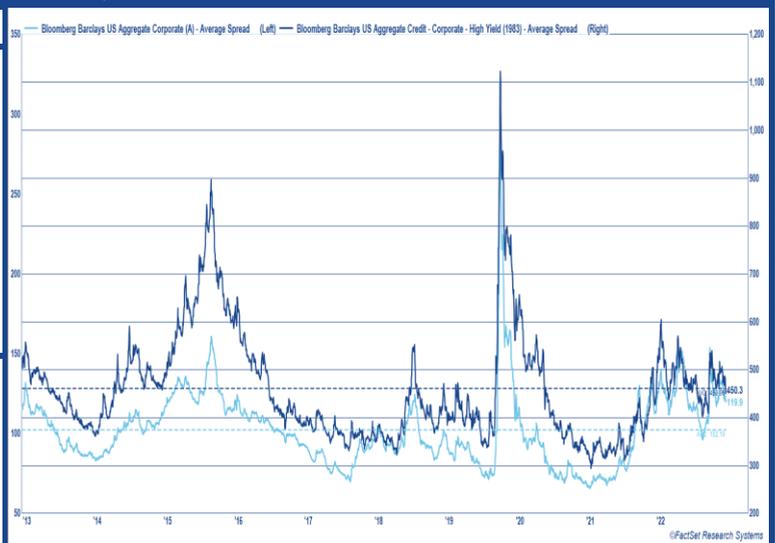
Last week stocks had a broad-based rally at the sub-class and sector levels. Bonds fared well too as yields dropped across most of the curve. There were several factors driving the rally including the debt ceiling agreement, data pointing to the mild recession narrative, and the decreased likelihood of a June rate increase. Data this week continued to show support for the soft-landing narrative.

Although Friday's May headline payrolls came in hotter than expected, the report adds support for a June pause given the mixed household survey, softness in hours worked, and the decline in average hourly earnings growth. Thursday's ISM Manufacturing missed and remained in contraction territory for a seventh straight month. However, there was a big focus on the prices paid component, which fell back below January levels. Both the payroll and manufacturing reports pointed to improving inflation trends, which helped to lower the expectations of a June Fed rate hike. The odds of a +0.25% Fed June rate hike came down significantly last week falling from 64.2% to 22.5%. Comments from several Federal Reserve officials also signaled support for a June pause, though it should not be interpreted that the peak rate has been reached for the cycle. These Federal Reserve official comments were in line with Chair Powell, who said on 19-May that the Fed faces uncertainty about the lagged effects of tightening so far, and that the Fed can afford to look at the data and the evolving outlook to make careful assessments. Although the odds of a +0.25% rate hike for June have come down, the December median fed funds rate continues to hold around 5.0%, signaling market expectations for no rate cuts through year-end. A mere month ago, the bond market was anticipating 4 to 5 rate cuts by year-end and is now pricing in 25% chance of 1 to 2 additional rate hikes. This just goes to show how economic data can quickly change market expectations.

**Index Total Returns - June 2, 2023**

	1-Wk	YTD	1-Yr
NASDAQ	2.07	27.01	8.47
S&P 500	1.88	12.37	4.32
MSCI-Developed	0.88	9.76	6.16
Russell 2000	3.32	4.62	-2.02
S&P 400	2.62	3.82	-0.02
MSCI-Emerging	1.25	3.80	-4.60
Dow Jones	2.17	2.89	3.80
<b>Barclay's U.S. Bond Index</b>			
High Yield	1.15	4.53	0.92
Aggregate	0.96	2.17	-2.19
Municipal	0.90	2.03	0.69
Int. Gov. Credit	0.55	1.96	-0.45
5-year Muni	0.45	0.70	0.45

**Credit Spreads**



**U.S. Treasury Yields**

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.25	5.24	2.07
U.S. 2-Yr	4.51	4.56	2.63
U.S. 3-Yr	4.14	4.23	2.82
U.S. 5-Yr	3.84	3.93	2.91
U.S. 10-Yr	3.69	3.80	2.91
U.S. 30-Yr	3.88	3.96	3.08

**S&P 500 Sector Total Returns - June 2, 2023**

Sector	1-Wk	YTD	1-Yr
Info Tech	1.39	36.44	19.03
Communication Services	1.12	34.47	4.89
Consumer Discretionary	3.39	22.88	0.51
Industrials	2.66	3.26	7.24
Materials	3.10	1.61	-8.06
Real Estate	3.13	0.33	-14.03
Consumer Staples	0.38	-0.54	1.95
Financials	2.20	-3.64	-5.28
Health Care	2.19	-3.69	0.93
Utilities	0.85	-6.96	-10.14
Energy	1.37	-7.66	-4.83

**Municipal Yields - Bloomberg/Barclays Index**

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.27	3.40	2.59
U.S. AA	3.43	3.55	2.75
U.S. A	3.93	4.06	3.17
U.S. Baa	4.57	4.72	3.61
U.S. Municipal	3.58	3.71	2.90
Michigan	3.72	3.85	3.06

Index Characteristics	P/E	P/E NTM	Dividend Yield
S&P 500 - Large Cap	18.60	17.57	1.55
S&P 400 - Mid Cap	13.27	15.45	1.61
S&P 600 - Small Cap	13.44	16.10	1.75