

Weekly Market Commentary

May 08, 2023

The Markets

The labor market just keeps growing...and growing...

Last week, the April employment report for the United States arrived. It showed that unemployment dropped to the lowest level in more than 50 years – 3.4 percent. Other highlights included:

- **The creation of 253,000 jobs in April.** That was well above consensus estimates, according to Catarina Saraiva and Steve Matthews of *Bloomberg*.
- **The highest workforce participation rate since 2008.** This is the percentage of Americans who are either working or looking for a job, reported Megan Cassella of *Barron's*.
- **The lowest unemployment rate for black workers ever.** By race, the April unemployment rate was 2.8 percent for Asian Americans, 3.1 percent for white Americans, 4.4 percent for Hispanic Americans, and 4.7 percent for Black Americans.
- **Average hourly earnings rose 4.4 percent year-over-year.** Wage growth may be one reason inflation remains higher than the Federal Reserve would prefer, according to a source cited by *Bloomberg*.

There were signs that the labor market growth might be slowing down. The number of jobs created in February and March were both revised lower.

The Federal Reserve will be weighing the strengths and weaknesses of the labor market, as well as other data, as it makes future rate hike determinations. Last week, the Fed raised the federal funds rate from 4.83 percent to 5.08 percent, and Chair Powell suggested it could be the end of the tightening cycle, reported Jeff Cox of *CNBC*.

“As the Federal Reserve works to rein in inflation, the labor market’s confounding durability has given central-bank officials space so far to keep interest rates in restrictive territory without having to worry about widespread layoffs or acute economic pain,” reported *Barron's*.

Last week, major U.S. stock indices finished the week with mixed performance, reported *Barron's*. Yields on most U.S. Treasuries moved lower over the week.

| Data as of 5/5/23 | 1-Week | YTD | 1-Year | 3-Year | 5-Year | 10-Year |
|------------------------------------|--------|------|--------|--------|--------|---------|
| Standard & Poor's 500 Index | -0.8% | 7.7% | -0.3% | 13.0% | 9.1% | 9.8% |
| Dow Jones Global ex-U.S. Index | 0.3 | 7.5 | 1.6 | 8.1 | 0.1 | 1.8 |
| 10-year Treasury Note (yield only) | 3.5 | N/A | 3.1 | 0.7 | 3.0 | 1.8 |
| Gold (per ounce) | 0.9 | 10.4 | 5.7 | 5.6 | 8.9 | 3.3 |
| Bloomberg Commodity Index | -1.3 | -8.7 | -22.2 | 18.2 | 2.8 | -2.5 |

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

TRAVEL IS BACK! After three years of COVID-19 lockdowns, airline staffing shortages, last-minute flight cancellations and high car rental costs, Americans are returning to the roadways and airways this year. An AARP survey found that 62 percent of Americans, ages 50 and older, plan to take at least one trip this year and some plan to take three or four.

It's a boon to the travel industry as Americans are expected to spend more on travel in 2023 than they did before the pandemic, according to a source cited by Becky Pokora of *Forbes*. In April, the U.S. Travel Association reported that spending is up 4 percent, although it may be leveling out as spending on airfares and hotels retreated a bit in April.

Americans plan to spend about \$6,600 on travel this year, and many are cost conscious and wary of inflation, according to the AARP. Nevertheless, most people aren't putting their vacation plans on hold. In fact, with the strong U.S. dollar working in Americans' favor, heading overseas just might be the way savvy travelers can get the most for their money. The dollar and euro have been nearly equal in value, and currency exchange rates are making a host of other countries – across the Americas, Asia and Europe – attractive destinations.

Where does the U.S. dollar go the farthest? According to Quincy Williamson of *Kiplinger*:

- In Europe, the answer may be Greece and Portugal.
- In the Americas, look to Mexico, Costa Rica, Peru, Argentina and Chile.
- In Asia, Japan, Thailand and Vietnam are the most affordable countries to visit.

While traveling abroad may be attractive from a financial point of view, the AARP survey found that just 40 percent of survey respondents plan to head overseas this year. That could prove to be a benefit if popular destinations are less crowded. Whether you prefer cities, beaches or rainforests, international travel could be just the ticket this year.

Weekly Focus – Think About It

“Why do you go away? So that you can come back. So that you can see the place you came from with new eyes and extra colors. And the people there see you differently, too. Coming back to where you started is not the same as never leaving.”

—Terry Pratchett, author

Best regards,

Heritage Capital Advisors, LLC

P.S. Please feel free to forward this commentary to family, friends or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

- * Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
- * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
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