

AUGUST 21, 2023

Weekly Wire

At Least Three Reasons Interest Rates Are Higher

By Rusty Vanneman, CMT, CFA, BFA™

The August swoon in stock prices continued last week. The S&P 500 index, for example, lost over 2% again, extending its losing streak to a third consecutive week. A leading reason for recent losses is that interest rates continue to rise, with two leading examples being the [10-Year US Treasury](#) at its highest levels in over 15 years and [mortgage rates moving to their highest level in over two decades](#). Why are bond yields moving higher? One contributing factor is that China, whose [economy continues to disappoint](#), is [selling US Treasuries](#). Another factor is that many are now expecting [inflation to move higher](#) later again this year. Yet another reason is that the U.S. economy is increasingly stronger than most have expected — even among the econo-bulls!

Here's a number that might surprise most people — the Atlanta Fed's [GDPNow](#) is now estimating Q3 2023 real (i.e. after inflation) GDP at 5.8%. Wow. Before getting too excited about the economy though, do note that the Conference Board's [US Leading Indicators](#) "fell for the sixteenth consecutive month in July, signaling the outlook remains highly uncertain." This outlook does make sense. Just consider the rising interest rates. They do impact the economy, but with a lag. The higher rates are still working their way through the system.

As for potential market-moving events this coming week, beyond watching the interest rate markets, there are quarterly earnings from key AI stock Nvidia on Wednesday. Also, on Friday morning Federal Reserve Chair Jerome Powell is speaking in Jackson Hole, Wyoming.

Add it all up...

Stay invested. Stay diversified. Stay disciplined.

Interest Rates as of August 18, 2023		
Rate	This Week	1 Wk Δ%
13-Wk Treasury Yield	5.28%	0.03%
10-Yr Treasury Yield	4.25%	0.19%
Bloomberg US Agg Yield	5.24%	0.19%
Avg Money Mkt Yield	5.15%	0.02%
Avg 30-Yr Mortgage Rate	7.58%	0.26%

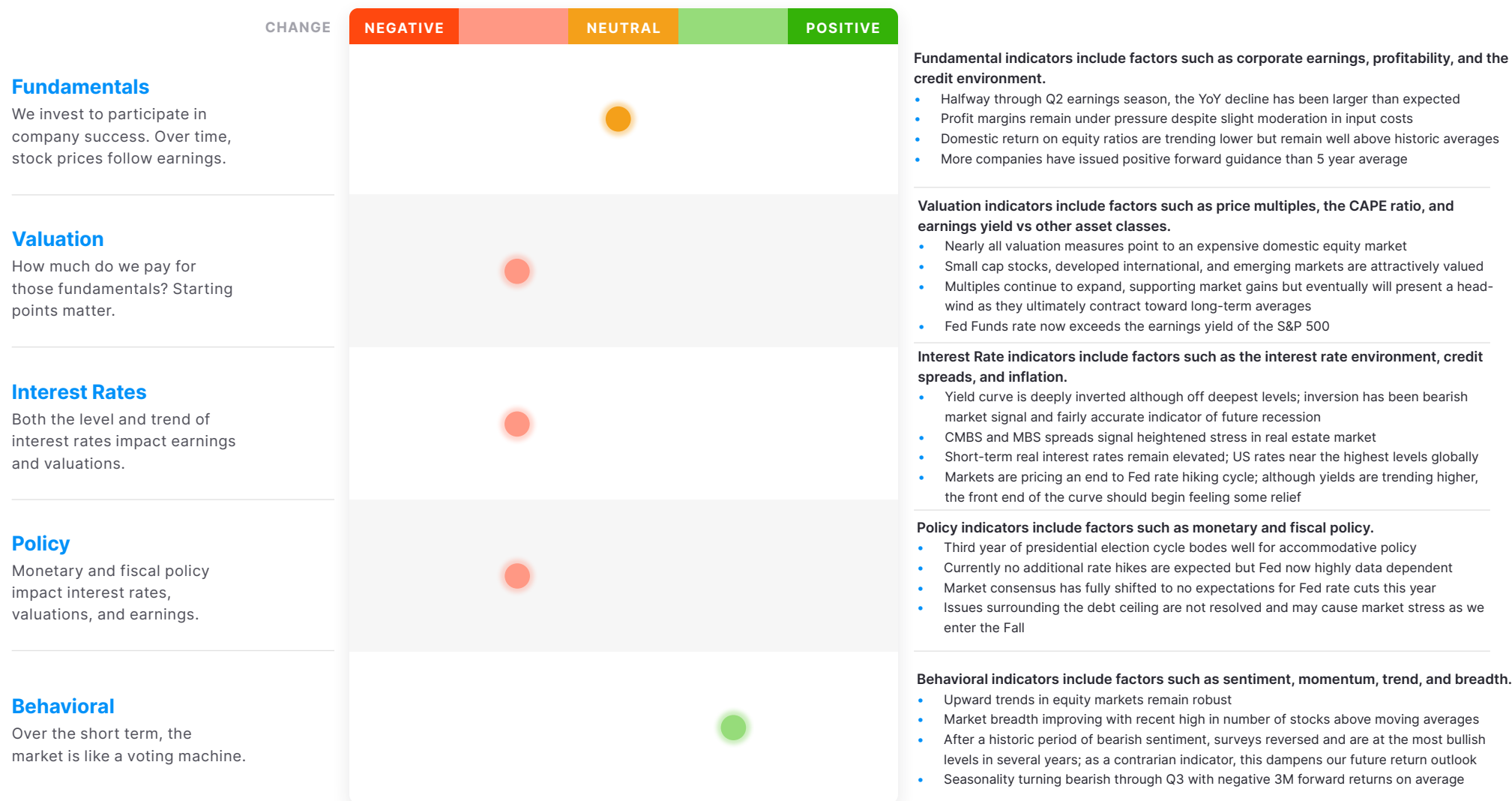
Key Economic Data This Week		
Data Point	Expectation	Release Date
Existing Home Sales	-	8/22/2023
Durable Goods	-	8/24/2023
Powell Speech at Jackson Hole	-	8/25/2023

Key Economic Data Last Week		
Data Point	Expectation	Actual
US Retail Sales	0.4%	0.7%
Housing Starts	1.45M	1.45M
US Leading Economic Indicators	-0.4%	-0.4%

Stocks, Bonds, Alternatives, & Real Assets as of August 18, 2023						
Security Name	Risk Score*	1 Wk Δ%	1 Mo Δ%	QTD Δ%	YTD Δ%	12 Mo Δ%
Global Equities (60% US, 40% Intl)	100	-2.59%	-4.69%	-1.99%	11.39%	4.04%
S&P 500 Total Return	110	-2.05%	-3.92%	-1.60%	15.02%	3.76%
Morningstar US Large Cap	110	-1.87%	-3.73%	-1.39%	17.60%	4.99%
Morningstar US Mid Cap	122	-2.79%	-5.48%	-2.43%	5.88%	-2.43%
Morningstar US Small Cap	128	-3.17%	-5.58%	-1.56%	9.04%	-1.85%
Morningstar US Value	98	-2.33%	-0.77%	0.51%	4.58%	3.52%
Morningstar US Growth	146	-2.38%	-7.82%	-4.21%	22.76%	-0.79%
MSCI ACWI Ex USA	88	-3.34%	-5.62%	-2.88%	6.69%	5.15%
MSCI EAFE	94	-3.30%	-5.77%	-3.21%	8.52%	9.32%
MSCI EM	86	-3.28%	-5.41%	-1.90%	3.09%	-1.49%
Bloomberg US Agg Bond Index	35	-0.50%	-2.31%	-1.92%	0.13%	-4.13%
Bloomberg Commodity Index	94	-1.17%	-0.18%	3.47%	-4.59%	-10.17%
Wilshire Liquid Alternative Index	23	-0.59%	-0.88%	-0.24%	2.35%	-0.07%
US Dollar**	42	1.02%	3.74%	0.64%	0.05%	-2.82%
Bloomberg US Treasury Bill 1-3mo	1	0.10%	0.45%	0.70%	3.05%	4.26%

*The Orion Risk Score represents risk relative to the global equity market. **As of 08/10/2023. Table Sources: Morningstar, Yahoo Finance, S&P Global, Crane Data, BankRate, MarketWatch, First Trust.

Brinker Capital Five Factor Stock Market Barometer



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