At Passage Wealth, it is important that you are well informed about what is happening in the markets. Here are a few of the key topics of conversation that deserve the most attention this month. If you have any questions or would like to continue the conversation, please reach out.

Consumers are the largest and most important part of the US economy, and their ability to drive it has been critical over the last year or so. Sentiment data has shown pessimistic views of the economy, but the tight jobs market has been a key point of the consumers' resilience in the face of continuously rising prices. While jobs have continually grown over the last two years, the pace of growth has been slowly cooling. In March, over a quarter million new jobs were added to the economy[1], though job openings fell below 10 million for the first time in over a year and a half[2]. Despite the tight jobs market, consumers appear to be feeling the pinch of higher interest rates with retail sales falling 1.0% in March, the second decline in a row[3].

Headline inflation cooled significantly in March, with the Consumer Price Index showing monthly price increases slowed to 0.1% from a 0.4% increase in February[4]. Falling energy and stable food prices helped, but core inflation, which excludes both food and energy, remains elevated, rising 0.4% in February and 5.6% over the last year[5]. While shelter price increases have slowed, it continues to be a sticky point for core inflation and was the largest contributor to core prices rising in March. Stubborn core inflation may keep the Federal Reserve in a fairly aggressive stance over the short term.

While the reverberations that the collapse of Silicon Valley Bank (SVB) had on equity markets may have largely subsided, the same can't be said for its impact on the market's expectations of what the Federal Reserve will do over the rest of the year. Post-SVB, the market has been expecting the Fed to begin cutting rates later this year with likely one more rate hike before then[5].

The bottom line: Thankfully, the concerns of a widespread banking crisis that punctuated last month have effectively resided and the market has largely returned to the normal, if repetitive, focus on inflation, the Fed, and the strength, or lack thereof, of the overall economy. Jobs continue to grow, although at slower rates, and headline inflation is moving in the right direction. There are still inflationary concerns, particularly in housing prices, as well as risks if the consumer continues to slow down and the impact it would have on the overall economy. That said, total retail sales are still higher than that at any point last year. Economic data rarely paints a clear picture and markets may continue to feel reactive to major data releases on top of additional Fed comments over the next few months.

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Sources:


1. Bureau of Labor Statistics, https://www.bls.gov/news.release/empsit.nr0.htm
2. Bureau of Labor Statistics, https://www.bls.gov/news.release/jolts.nr0.htm
3. Census Bureau, https://www.census.gov/retail/sales.html
4. Bureau of Labor Statistics, https://www.bls.gov/news.release/cpi.nr0.htm
5. CME FedWatch Tool on April 14, 2023


Disclosures

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.