CWP | PRIVATE WEALTH MANAGEMENT

**June 2023**

**Monthly Market Commentary**

Welcome to the unofficial start to summer! We hope that you were able to enjoy the Memorial Day Weekend with family in friends. For those residing in Wisconsin, we had surprisingly warm weather! I'll take it! Hopefully you all get the chance to have plenty of cookouts, walks outside, and maybe attend a ball game or concert while we have the nice weather! Here is to continued health and happiness in 2023!

The month of May saw a lot of divergence in performance for asset markets, both globally and in the US. The S&P 500 was up 0.3% in the month while a few concentrated pockets, especially mega caps, performed extremely well. However, a broad range of sectors lost 4-5%. 10 stocks in the S&P 500 are driving most of the gains YTD, while the rest of the 490 components are up 1-2% overall. In our view, this level of divergence in heavily weighted components in the index is forcing money managers benchmarked to these indexes to aggressively buy into these names. This further exaggerates an even narrower breadth despite a lack of strong credence in the underlying fundamentals. Leading economic indicators continue to signal a further slowdown in the economy. The yield curve remains deeply inverted and the latest ISM manufacturing index remains in contraction at 46.9 vs 47.1 in the prior month. ISM services, which have shown some resilience in the past, are also starting to show signs of slowing at 50.3 vs 51.9 the prior month. However, looking at the lagging indicators, employment data for May came in better than expected with 339K jobs added in the month while the unemployment rate ticked up slightly to 3.7% vs 3.4% prior. Finally, we are nearing the end of the first quarter earnings season for the S&P 500 with 99% of the companies reporting an aggregate revenue and earnings growth of 3.6% and 0% respectively. As we look forward, we believe the market is once again getting ahead of itself to quickly price in a reacceleration of earnings going forward while the economy continues to slow broadly. We are positioned to take advantage of the higher rate environment in the short term while minimizing overall risk of our portfolios as the economic cycle plays out.


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