

## WEEKLY MARKET RECAP: July 03–July 07, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Stocks and bonds have had a strong start to the year due to resilient economic data, a bounce back in profit margins and a moderation in the market's expectations for interest rates. While stocks and bonds have improved from their lows of 2022, commodities finished 1H23 down due to cooling energy prices and weakening global manufacturing demand.

In terms of performance, U.S. large cap led the way, finishing 1H23 +15.5%. However, despite the rally, returns have been entirely driven by the market's largest stocks, with the top 10 companies in the S&P 500 accounting for over 95% of the index's YTD performance. Elsewhere, U.S. small caps lagged behind their large cap peers in 1H23 due to the lower quality of earnings and their greater exposure to cyclical sectors, which have underperformed this year.

In the international markets, DM and EM increased 11.2% and 4.8%, respectively, in 1H23, as a weaker U.S. dollar and strong economic data in both regions buoyed returns. Some of this momentum, however, did wane toward the end of quarter in EM, as recent economic data from China have disappointed relative to expectations.

Lastly, U.S. fixed income increased 1.8% in 1H23 due to a moderation in interest rates. Within the fixed income universe, global high yield performed well, as better than expected earnings have supported credit quality. While the default rate and downgrades-to-upgrades have increased, they both remain below long-term averages.

Looking ahead, investors should continue to be active and diversified, as the stock market's narrow breadth, weakening expectations for forward earnings and the possibility of further rate hikes from the Fed could weigh on markets in the quarters ahead.

**Thanks for reading! Have a great weekend.**

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