

*In this week's recap: Markets cautious after banking woes; awaiting Fed reaction.*

# Weekly Economic Update

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*Presented by DSA Financial Group, March 20, 2023*

## THE WEEK ON WALL STREET

Amid the reverberations of two U.S. banks being taken over by regulators and the spread of uncertainty to European banks, stocks trended higher last week on the strength of the technology sector.

The Dow Jones Industrial Average was flat (-0.15%), while the Standard & Poor's 500 rose 1.43%. The Nasdaq Composite index picked up 4.41%. The MSCI EAFE index, which tracks developed overseas stock markets, was also flat (+0.05%).<sup>1,2,3</sup>

## STOCKS GAIN DESPITE BANKING WOES

Stock prices gyrated as investors wrestled with banking troubles that appeared to spread to Europe. Worries of financial instability rocked financials and sent bond yields falling. While the rush into Treasuries was expected, the dash into technology stocks was a surprise. Falling yields made the high-growth names more attractive, though investors targeted their buying in high-quality companies that offered defensive characteristics, such as profits, healthy cash flows, and strong balance sheets.

When Switzerland's central bank provided a lifeline to a troubled Swiss bank, and a group of U.S. banks provided aid to a struggling regional bank, stocks powered higher on Thursday. Banking jitters, however, returned on Friday, closing out a tumultuous week and paring some of the week's gains.

## REVERSE PSYCHOLOGY

Less than two weeks ago, Fed Chair Jerome Powell testified interest rates might have to be hiked higher and faster. Since then, two U.S. banks were placed in receivership, sparking worries of financial instability and changing the market's outlook on future rate hikes.

The question now is if the Fed will hike short-term rates at all. By Thursday, traders saw an 18.1% probability of no rate increase at the March Fed meeting, which concludes this Wednesday. Just a week ago, it was a 0% chance. Traders also see a 0% chance of a 50 basis point rate increase in March. A week earlier, there was a 68.3% probability. Where the market previously saw little likelihood of a rate cut this year, the probability of a rate cut by July was 63.7% by Thursday.<sup>4</sup>

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#### TIP OF THE WEEK



*If you know a couple about to marry, consider giving them a non-traditional gift: a visit with a financial consultant. It could turn out to be a key step in helping them build wealth.*

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#### THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Existing Home Sales.

**Wednesday:** FOMC Announcement.

**Thursday:** Jobless Claims. New Home Sales.

**Friday:** Durable Goods Orders. Purchasing Managers' Index (PMI) Composite Flash.

Source: Econoday, March 17, 2023

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

#### THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

**Tuesday:** Nike, Inc. (NKE).

**Thursday:** General Mills, Inc. (GIS), Darden Restaurants, Inc. (DRI).

Source: Zacks, March 17, 2023

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and

tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

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#### QUOTE OF THE WEEK

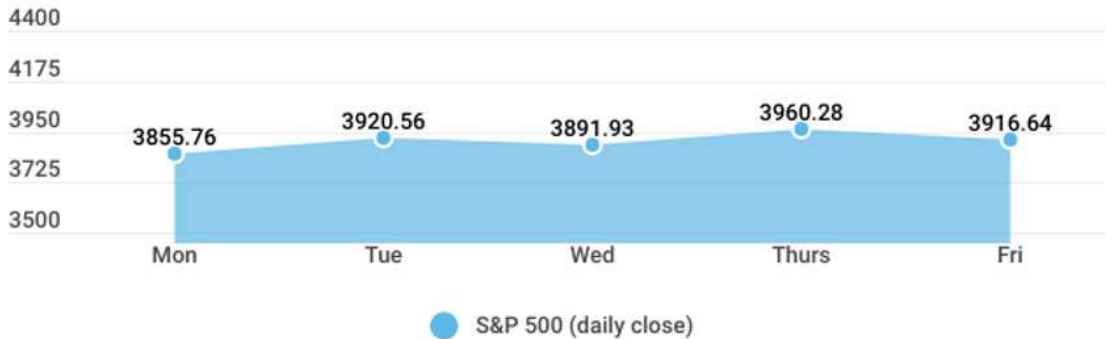


*“Careers aren’t defined by what you say yes to. They’re defined by what you say no to.”*

*BRENDA SONG*

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Market Index	Close	Week	Y-T-D
DJIA	31,861.98	-0.15%	-3.88%
NASDAQ	11,630.51	+4.41%	+11.12%
MSCI-EAFE	1,988.12	-3.12%	+2.27%
S&P 500	3,916.64	+1.43%	+2.01%



Treasury	Close	Week	Y-T-D
10-Year Note	3.38%	-0.31%	-0.49%

Sources: The Wall Street Journal, March 17, 2023; Treasury.gov, March 17, 2023

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, March 10, to Friday, March 17, close. Weekly performance for the MSCI-EAFE is measured from Friday, March 10, open to Thursday, March 16, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*Five girls took part in a bicycle race. Barbara finished before Vicki but behind Susan. Katarina finished before Sara but behind Vicki. In what order did they finish?*

*LAST WEEK'S RIDDLE: You need to park a car for the weekend. You find a parking space marked "2-Hour Parking M-F, 8am-6pm" with no other restrictions. You call the city and find that overnight parking is allowed on this block. So, what is the maximum amount of time you can leave your car in this space without getting a ticket?*

*ANSWER: 66 hours. You can park from 4pm Friday until 10am Monday.*

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Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The forecasts or forward-looking statements are based on assumptions, may not materialize, and are subject to revision without notice.

The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

Please consult your financial professional for additional information.

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CITATIONS:

1. The Wall Street Journal, March 17, 2023
2. The Wall Street Journal, March 17, 2023
3. The Wall Street Journal, March 17, 2023
4. CME FedWatch Tool, March 16, 2023