Oxford Harriman Weekly Market Commentary

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As July ended, the S&P 500 recorded its fifth consecutive monthly gain, having recovered most of the losses from 2022. Additionally, the index is currently trading less than 10% below its all-time closing high set in January 2022. On a related note, the Dow Jones Industrial Average, which tracks 30 prominent U.S. companies, closed higher for 13 consecutive days, the longest such streak since 1987. Like the S&P 500, the Dow Jones is also trading less than 10% below its all-time closing high reached in January 2022. As mentioned in our recent quarterly commentary, this year's market gains have been led by the rally in megacap tech stocks. This has given some investors opportunities to look for value in areas of the stock market that have not rallied as much and consider a rotation within the equity component of their portfolio to potentially lock in some of the outsized gains this year.

The continuation of the market increase in July was likely fueled by positive expectations. Many investors now believe the U.S. economy has averted the recession many economists predicted for 2023. Job growth, consumer spending, and corporate earnings remain resilient despite higher interest rates. The recent downward trend in inflation data is adding to this optimism, with investors hopeful that the Federal Reserve can achieve a soft landing and potentially avoid a recession altogether. Despite the favorable trends in the first half of 2023, there is concern that the Fed may need to keep raising interest rates due to recent increases in home and commodity prices.

Last week the Labor Department reported that the economy added 187,000 seasonally adjusted jobs in July from a month earlier. While this reading was below the estimate of 200,000, indicating perhaps the economy is slowing, it may not be enough to convince the Fed to stop increasing rates. It will, however, further the debate about how close we are to the end of this tightening cycle. Some other observations from last week's economic data may indicate signs of a leveling in labor demand. Hourly wages and unit labor costs have decreased from the extreme levels seen during the pandemic. Additionally, average weekly hours were down slightly, job openings decreased, and workers quit their jobs at a slower rate suggesting lower confidence they could find better opportunities elsewhere.

As we entered August, Fitch downgraded the United States credit rating to AA+ from AAA, citing concerns about past last minute debt ceiling negotiations that threaten the

government's ability to pay its bills. This downgrade led to volatility in both equity and bond prices.

We have been monitoring gas prices, which recently hit a 3-month high. This increase concerns both consumers and the Fed. According to AAA, the national average price for a gallon of regular gasoline reached a three-month high of $3.75 on July 31st. The recent rise in oil prices, attributed to supply cuts by Saudi Arabia & Russia and increased optimism around global oil demand, is driving this increase with West Texas Intermediate crude hitting $80 per barrel. Additionally, extreme heat disruptions at refineries have led to lower gasoline inventories. While current prices are still below the level of $4.22 per gallon this time last year, the rise in fuel costs could slow the Fed's progress in curbing inflation and may even require additional interest rate hikes.

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We will pay close attention to the energy and overall commodity markets in the upcoming months as the situation unfolds.

Thanks, and enjoy your week.

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Sources:

www.cnbc.com

www.reuters.com

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