



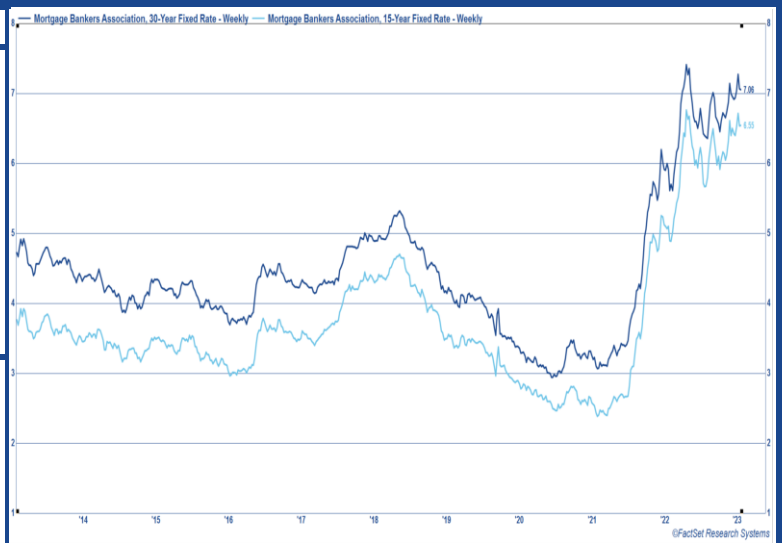
Economic & Market Commentary

During your early adult years, you may have once or twice gone to a happy hour with friends and then at the end of happy hour you had a decision to make. Do I go home and chill or do I rally and keep the party going? This is where the stock market is right now. The stock market definitely has had a few Fedtinis and likely an inflation highball or two. The market has rallied on the expectation that the Fed is close to being done raising rates and on the trend of lower inflation rates. To keep the rally going, corporate earnings need to rebound. Yes, inflation rates need to keep moving lower as well but the key to sustaining and expanding market multiples will be earnings growth. Market multiples are based on fundamental measures such as the price-earnings ratio (P/E). P/E ratios expand and contract based on economic and earnings expectations. During the bear market last year, the forward looking P/E ratio in the S&P 500 dipped into 15-16x range and has since expanded into the 18-19x range. Mid-cap and small-cap stocks dipped into the 10-11x range last year and have since expanded into the 13-14x range. Looking at the Index Characteristics table below you can see large-cap stock P/E's are above their 10-year average while mid-cap and small-cap stock P/E's are still below their 10-year average. Corporate earnings and market prices are highly correlated but quite often one may lead while the other lags and vice versa. According to FactSet's July 28 Earnings Insight report, with 51% of S&P 500 companies reporting actual results for second-quarter 2023, the blended earnings decline is -7.3%. If this decline holds, it will mark the third consecutive quarterly earnings decline. This is what the market expected and why the P/E contracted last year. The market is always forward looking. S&P 500 earnings are forecasted to improve in the second half of this year and grow +12.4% in 2024. Lets hope that inflation keeps moving lower and earnings do in fact rebound, otherwise, your friend may be saying to you, "Dude, you don't look too good, maybe you should go home."

Index Total Returns - July 28, 2023

	1-Wk	YTD	1-Yr
NASDAQ	2.03	37.43	18.77
S&P 500	1.03	20.47	14.46
MSCI-Developed	0.92	15.12	17.96
Russell 2000	1.09	13.45	7.44
S&P 400	0.43	12.85	11.43
MSCI-Emerging	2.85	11.02	7.56
Dow Jones	0.66	8.24	11.38
Barclay's U.S. Bond Index			
High Yield	0.08	6.61	4.97
Municipal	-0.27	3.09	1.09
Aggregate	-0.40	1.89	-3.41
Int. Gov. Credit	-0.20	1.66	-1.48
5-year Muni	-0.19	1.53	0.05

MBA Mortgage Rates



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.38	5.34	2.81
U.S. 2-Yr	4.90	4.85	2.88
U.S. 3-Yr	4.54	4.45	2.82
U.S. 5-Yr	4.20	4.10	2.70
U.S. 10-Yr	3.97	3.85	2.68
U.S. 30-Yr	4.03	3.91	3.03

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.24	3.16	2.49
U.S. AA	3.34	3.27	2.64
U.S. A	3.82	3.77	3.13
U.S. Baa	4.43	4.41	3.61
U.S. Municipal	3.49	3.43	2.81
Michigan	3.66	3.59	2.92

S&P 500 Sector Total Returns - July 28, 2023

Sector	1-Wk	YTD	1-Yr
Info Tech	1.28	46.41	28.66
Communication Services	6.85	45.75	21.65
Consumer Discretionary	1.24	35.56	11.39
Industrials	0.57	13.12	19.70
Materials	1.83	10.84	13.06
Real Estate	-1.34	4.37	-10.90
Consumer Staples	0.72	3.93	5.13
Financials	-0.20	3.83	8.15
Health Care	-0.80	0.32	3.48
Energy	1.72	-0.55	19.15
Utilities	-2.08	-3.42	-5.70

Index Characteristics	P/E	P/E NTM	Dividend
	NTM	10yr-Avg.	Yield
S&P 500 - Large Cap	19.70	17.66	1.45
S&P 400 - Mid Cap	14.32	15.51	1.46
S&P 600 - Small Cap	14.36	15.88	1.70