



Oppenheimer & Co. Inc.

Spencer Nurse
Managing Director - Investments
500 108th Ave. NE
Suite 2100
Bellevue, WA 98004
425-709-0540
800-531-3110
spencer.nurse@opco.com
<https://www.oppenheimer.com/spencernurse/>



Market Week: January 3, 2023

The Markets (as of market close December 30, 2022)

A late-week surge in dip buying wasn't enough to save stocks from closing the last week of 2022 in the red. Only the Russell 2000 and the Global Dow managed to eke out minimal gains. The Nasdaq, S&P 500, and the Dow all ended the week lower. Treasury yields rose, as bond prices fell. The dollar slid lower, but ended the year up over 8.0%. Crude oil prices ended the week up by nearly 1.0%, closing above \$80.00 per barrel.

Stocks began the holiday-shortened week mostly lower, with only the Dow and the Global Dow ticking up 0.1%. The tech-heavy Nasdaq fell 1.4%, while the Russell 2000 (-0.7%) and the S&P 500 (-0.4%) edged lower. Ten-year Treasury yields added 10.9 basis points to close at 3.86%. Crude oil prices were flat, hovering around \$79.72 per barrel. The dollar dipped lower, while gold prices rose nearly 1.0%, jumping to their highest level in six months. The Friday before Christmas marked the start of the so-called Santa Clause rally period, which includes the last five trading days of the outgoing year and the first two trading days of the new year. On average, this period has historically produced positive results for stocks. However, poor returns are often seen as a negative indicator.

Equities continued their tailspin last Wednesday, dampening hopes for a year-end rally. The S&P 500 fell to its lowest level since November as fears of rising COVID cases followed the end of China's lockdown. Several countries, including the United States, will require COVID testing for all air passengers originating from China. The Russell 2000 (-1.6%) and the Nasdaq (-1.4%) led the declining indexes, followed by the S&P 500 (-1.2%), the Dow (-1.1%), and the Global Dow (-0.8%). Bond prices slipped lower, driving yields higher with 10-year Treasury yields climbing to 3.88%. Crude oil prices fell by nearly \$1.00, reaching \$78.64 per barrel. The dollar advanced, while gold prices declined.

Stock and bond prices rose in a late-day rally last Thursday. The S&P 500 notched its largest gain of December, and the tech-heavy Nasdaq also outperformed. Overall, each of the benchmark indexes listed here posted solid gains, with the Nasdaq and the Russell 2000 advancing 2.6% to lead the charge. The S&P 500 added 1.8%, the Dow and the Global Dow climbed 1.0%. Ten-year Treasury yields fell 5.2 basis points to 3.70%. Crude oil prices moved little from the previous day, closing at around \$78.67 per barrel. The dollar dipped, while gold prices advanced.

Wall Street closed 2022 on a downbeat, closing out the worst year in more than a decade. Each of the benchmark indexes listed here ended last Friday in the red, led by the Russell 2000 and the S&P 500, which fell 0.3%. The Dow and the Global Dow dipped 0.2%, while the Nasdaq slipped 0.1%. Ten-year Treasury yields added 4.4 basis points to close the week at 3.87%. Crude oil prices advanced 2.5% to reach \$80.41 per barrel. The dollar declined, while gold prices advanced.



Key Dates/Data Releases

1/3: S&P Manufacturing PMI

1/4: JOLTS

1/5: S&P Services PMI,
international trade in goods
and services

1/6: Employment situation

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 12/30	Weekly Change	YTD Change
DJIA	36,338.30	33,203.93	33,147.25	-0.17%	-8.78%
Nasdaq	15,644.97	10,497.86	10,466.48	-0.30%	-33.10%
S&P 500	4,766.18	3,844.82	3,839.50	-0.14%	-19.44%
Russell 2000	2,245.31	1,760.93	1,761.25	0.02%	-21.56%
Global Dow	4,137.63	3,693.09	3,702.71	0.26%	-10.51%
Fed. Funds target rate	0.00%-0.25%	4.25%-4.50%	4.25%-4.50%	0 bps	425 bps
10-year Treasuries	1.51%	3.75%	3.87%	12 bps	236 bps
US Dollar-DXY	95.64	104.33	103.48	-0.81%	8.20%
Crude Oil-CL=F	\$75.44	\$79.65	\$80.41	0.95%	6.59%
Gold-GC=F	\$1,830.30	\$1,805.20	\$1,829.70	1.36%	-0.03%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- The international trade in goods deficit shrunk \$15.5 billion, or 15.6% in November. Exports of goods fell 3.1% and imports of goods declined 7.6%.
- Retail prices for regular gasoline continued to slide last week. According to the U.S. Energy Administration, the national average retail price for regular gasoline was \$3.091 per gallon on December 26, \$0.029 per gallon below the prior week's price and \$0.184 lower than a year ago. Also, as of December 26, the East Coast price decreased \$0.047 to \$3.071 per gallon; the Gulf Coast price rose \$0.043 to \$2.684 per gallon; the Midwest price declined \$0.012 to \$2.899 per gallon; the West Coast price dropped \$0.073 to \$3.910 per gallon; and the Rocky Mountain price decreased \$0.084 to \$3.002 per gallon. Residential heating oil prices averaged \$4.639 per gallon on December 26, \$0.042 above the previous week's price and \$1.273 per gallon more than a year ago.
- For the week ended December 24, there were 225,000 new claims for unemployment insurance, an increase of 9,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended December 17 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended December 17 was 1,710,000, an increase of 41,000 from the previous week's level, which was revised down by 3,000. States and territories with the highest insured unemployment rates for the week ended December 10 were Alaska (2.3%), California (2.1%), New Jersey (2.1%), Puerto Rico (2.0%), Montana (1.8%), Minnesota (1.8%), Rhode Island (1.7%), New York (1.6%), Massachusetts (1.6%), and Washington (1.6%). The largest increases in initial claims for unemployment insurance for the week ended December 17 were in Massachusetts (+1,505), New Jersey (+1,258), Missouri (+1,040), Rhode Island (+522), and Pennsylvania (+460), while the largest decreases were in California (-2,268), Ohio (-1,806), Texas (-941), Georgia (-760), and Washington (-704).

Eye on the Week Ahead

The first week of 2023 includes some important economic data for the last month of 2022. The purchasing managers' indexes for manufacturing and services are available this week. November saw the PMIs for both manufacturing and services contract. The employment figures for December are available at the end of the week. The employment sector remained strong in November, with over 260,000 new jobs added and hourly earnings increasing 0.6% from the previous month.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no

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The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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