

MONDAY

Stock Market: Today, markets built off of optimism from solid earnings reports and cooling inflation last week. With recent indicators of a strong U.S. economy and slowing inflation, fear of upcoming economic and financial pain is falling. A popular index of market fear and uncertainty is the VIX, which fluctuates based on investor expectations of market volatility. As the VIX index rises, investor expectations of higher market volatility increase, and as the index falls, expectations of market stability increase. Currently, the VIX index is experiencing a downtrend, meaning that investor fear and uncertainty regarding near-future market movements are falling.

VIX INDEX



Investor confidence is growing and recent market trends are representative of a positive and optimistic sentiment among investors. This Monday, the NASDAQ led the charge and ended the day with a 0.93% gain. Following behind the NASDAQ, the S&P grew 0.39% and the DOW 0.22%.

WEEKLY MARKET UPDATE

SCE Credit Access Survey (March-June): Every four months, this survey is released, detailing recent developments in the demand for and accessibility of consumer credit (auto loans, credit cards, credit card limit increases, mortgage loans, and mortgage refinances). Data from this survey is comprised of two main sections: experiences and expectations.

Credit Demand (Experiences):

In recent months, the total demand for credit has fallen due to higher interest rates and tighter lending practices. The credit application rate, which refers to consumer demand for credit, has fallen to 40.3%, its lowest level since October 2020.

Credit Scores	Applied and Accepted (June 2023)	Applied and Accepted (February 2023)	Applied and Rejected or Discouraged from Applying (June 2023)	Applied and Rejected or Discouraged from Applying (February 2023)
680 or Below	22.9%	25.8%	50.6%	42.9%
681-759	38.8%	38.8%	9.7%	7.6%
760 or Above	33.3%	37.3%	1.5%	0.7%

Due to tighter lending practices, there are more consumers whose credit applications are rejected. With credit institutions becoming more risk-averse, it is becoming more important to show that you are a creditworthy borrower. While it may have been easier before to secure a loan with poor or decent credit, it is now becoming more difficult. The rates at which consumers are rejected and discouraged from credit applications are mostly increasing among all credit scores; however, they are increasing the most for consumers with lower credit scores.



WEEKLY MARKET UPDATE

Credit Applications (Expectations): It has become apparent that consumers now are noticing a big difference in lending practices compared to a few months ago. Today, it is much more difficult for your credit application to be accepted than it was before, so it comes as no surprise that all types of credit listed within this survey are expected to be harder to come by over the next 12 months.

TUESDAY

Stock Market: Markets were up Tuesday as key earnings reports from major companies such as Bank of America, Novartis ADR, Morgan Stanley, Charles Schwab, and Lockheed Martin came out better than expected. Today's market gains: Dow Jones (1.06%), NASDAQ (0.76%), S&P 500 (0.71%).

Despite numerous companies reporting earnings that surpass forecasts, a significant portion of them are not witnessing substantial revenue growth. Forecasts, being estimates of future performance, have been influenced by the slowing U.S. economy, leading analysts to predict lower revenue growth. Nevertheless, it is evident that analysts have underestimated company earnings, as evidenced by the considerable number of companies exceeding their projected results.

Let's take a look at how well these major companies did in Quarter 2 this year:

	Quarter 1	Quarter 2	% Estimated Quarterly Revenue Growth
Bank of America	\$26.3 billion	\$25.2 billion	-4%
Novartis ADR	\$12.78 billion	\$13.62 billion	7%
Morgan Stanley	\$14.52 billion	\$13.46 billion	-7%
Charles Schwab	\$5.12 billion	\$4.66 billion	-9%
Lockheed Martin	\$15.1 billion	\$16.7 billion	11%

Among these five large companies, only two showed growth, but unsurprisingly, they all exceeded their earnings forecasts. Furthermore, with the exception of Lockheed Martin, the stocks of all these companies experienced an upward trend today. Despite Morgan Stanley's quarter-to-quarter growth declining by approximately 7%, its stock price surged by over 6%. Similarly, Charles Schwab faced a 9% decline in growth, but their stock price rose by more than 12%. This raises the question: why do some companies' stocks soar on the same day they report declining revenue?

While in the long term, markets usually experience growth through fundamental factors, such as strong profits and revenues, in the short term, markets can be swayed significantly by investor sentiment. Because investors are incredibly optimistic right now, it is very easy for them to extract the tiniest bit of good from relevant data.

Although many companies are experiencing lower revenue than in Quarter 1 of 2023, many investors have decided to base their investment decisions on how well a company performed compared to its forecast. Therefore, a company's revenue can fall almost 10%, yet gain over 12% in the stock market so long as its revenue beats its forecast. That said, it is essential to be aware of the fact that stock performance does not always accurately represent fundamental business performance.

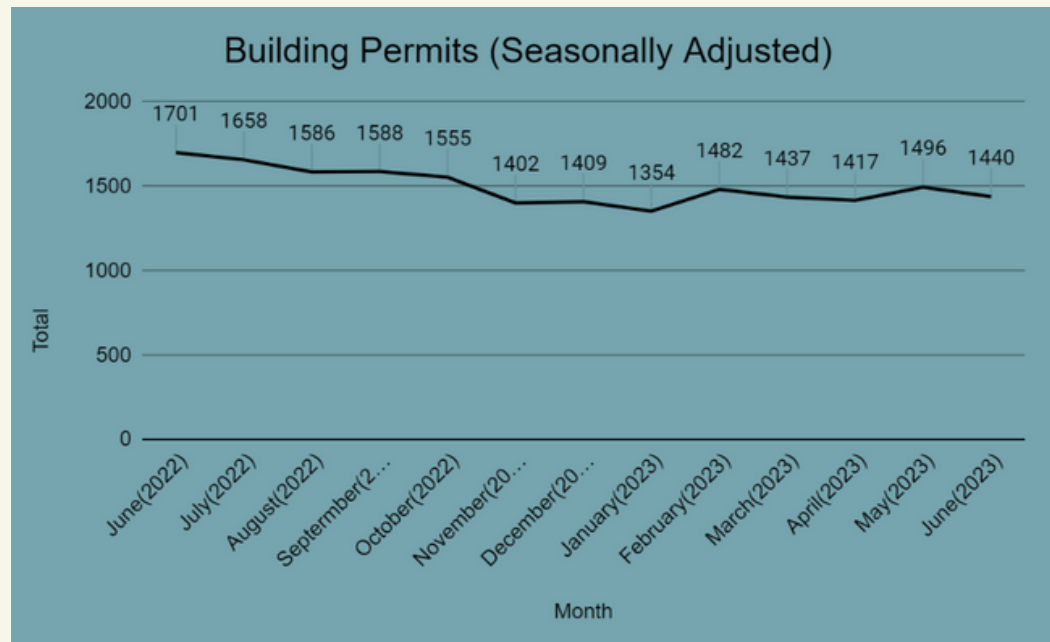
WEDNESDAY

Stock Market: On Wednesday, the markets showed an upward trend but experienced minimal changes. Among the major indices, the Dow Jones was the highest gainer, rising by 0.31%, followed closely by the S&P with a gain of 0.24%, and the NASDAQ with a modest increase of 0.03%.

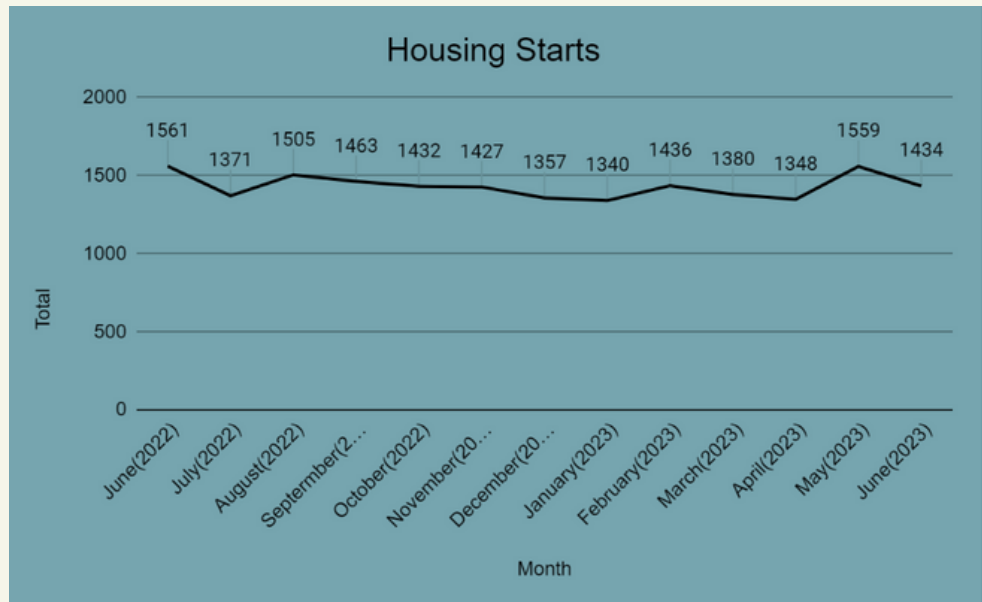
Notably, Tesla, Netflix, IBM, and Goldman Sachs released their key earnings reports. Among them, Tesla and Goldman Sachs surpassed their forecasted earnings, delivering better-than-expected results. However, Netflix and IBM fell slightly short of their earnings forecasts.

	Quarter 1 Revenue	Quarter 2 Forecast Earnings	Quarter 2 Actual Revenue	% Estimated Quarterly Revenue Growth	Today's Stock Growth
Tesla	\$23.33 billion	\$24.29 billion	\$24.93 billion	7%	-0.71%
Netflix	\$8.16 billion	\$8.27 billion	\$8.19 billion	0.4%	+0.59%
IBM	\$ 14.3 billion	\$ 15.58 billion	\$15.5 billion	8%	0.09%
Goldman Sachs	\$12.22 billion	\$ 10.66 billion	\$10.9 billion	-11%	+0.97%

June New Residential Construction Data: With mortgage rates rising and building costs still high, residential construction has fallen, causing fewer new homes to be added to the U.S. housing market. **Permits to build** homes, which are forward-looking indicators of residential construction, fell by 3.7% in June from May.



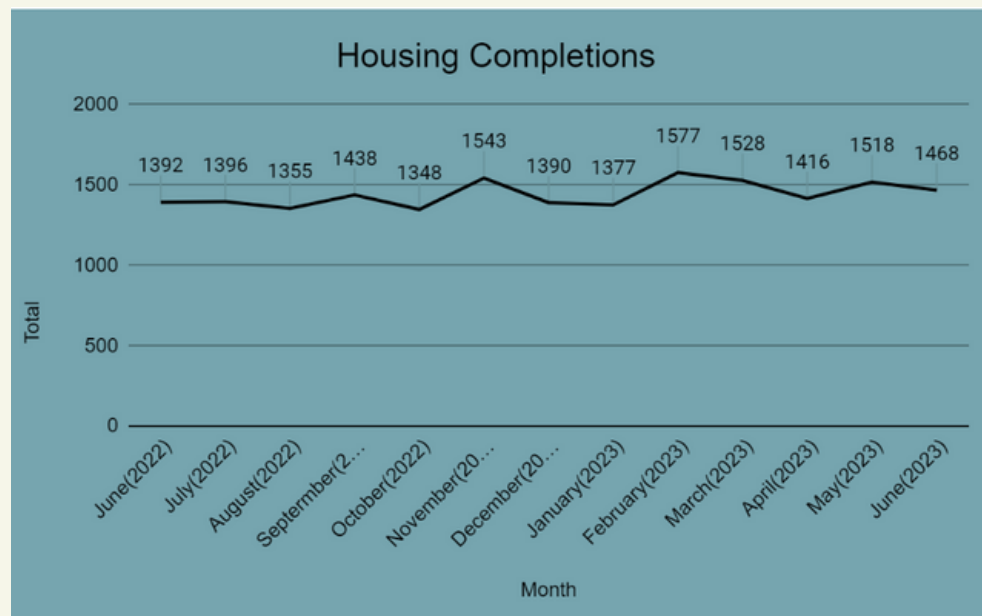
New construction, or housing starts, fell 8% in June, a considerable decrease from May's surprising increase in residential construction. Although new construction is down compared to May, it is still above the year's average, so June's new construction is by no means low when compared to recent months.



While the number of houses started in June may be strong relative to recent months, **the number of homes completed** in June is below the year's average, down 3.3% from May.

Monthly change in completed residential construction by region:

- Northeast (13.0%)
- Midwest (-4.4%)
- South (-4.3%)
- West (-5.7%)



THURSDAY

Stock Market: Markets this Thursday were mixed with the biggest mover being the NASDAQ, falling over 2%. Major tech stocks were hit hard after earnings from Tesla and Netflix disappointed investors. Today, Tesla's stock fell nearly 10%, and Netflix's fell a bit over 8%. Although the NASDAQ and S&P were down today, the Dow extended gains to its longest winning streak in years.

Major earnings reports were released from Taiwan Semiconductor, Johnson&Johnson, ISRG, Blackstone, Capital One, Philip Morris, and Truist Financial. Of these seven companies, only two reported revenues below their forecasts, Capital One and Truist Financial.

	Quarter 1 Revenue	Quarter 2 Forecast Earnings	Quarter 2 Actual Revenue	% Estimated Quarterly Revenue Growth	Today's Stock Growth
Taiwan Semiconductor	\$16.72 billion	\$15.44 billion	\$15.68 billion	-6.22%	-5.05%
J&J	\$24.75 billion	\$24.67 billion	\$25.53 billion	3.15%	6.07%
ISRG	\$1.7 billion	\$1.74 billion	\$1.76 billion	3.52%	-0.58%
Blackstone	\$1.38 billion	\$2.41 billion	\$2.81 billion	103.62%	-0.61%
Capital One	\$8.9 billion	\$9.13 billion	\$9.01 billion	1.24%	-2.52%
Philip Morris	\$8.02 billion	\$8.75 billion	\$8.97 billion	11.85%	-0.60%
Truist Financial	\$6.15 billion	\$5.99 billion	\$5.97 billion	-2.93%	-7.11%

Existing Home Sales Data for June: With the average 30-year fixed mortgage rate at nearly 7%, existing home sales have declined significantly since last June. Rising rates have made homebuying considerably more expensive, and as a result, existing home sales have fallen nearly 19% year-over-year. Despite fewer home sales, the median price of existing home sales has barely budged since last June, only falling about 0.9%. Although it is a step toward more affordable housing, existing home sales have fallen at a slower rate compared to the past 3 months. In fact, June's median price of existing home sales hit \$410,200, the second highest on record.

WEEKLY MARKET UPDATE

Home prices have become extremely unaffordable and it shows. Compared to last June, the percentage of sales made by first-time homebuyers has fallen by 3%. Although some recent data indicate a strong U.S. economy, the average working American has struggled financially due to pressures from persistent inflation and rising interest rates. First-time homebuying is a dream for most Americans, and when that dream becomes more out of reach, the economy clearly has something to work on. While fewer Americans are buying their first homes, more investors are buying their second, third, or fiftieth home.

The good news, however, is that lower demand may help bring down the prices of existing homes. A year ago when the housing demand was through the roof, homes were purchased extremely fast, only lasting on the market for about 2 weeks. Now that demand has fallen and prices have risen to exceptionally high levels, homes are not being purchased nearly as soon. As of June, it usually took around 18 days for homes to be sold compared to 14 last year, indicating slowing demand.

FRIDAY

Stock Market: Amidst a mix of positive and negative news from earnings reports this week, markets showed varied results. The Dow managed to cling to its winning streak, gaining a slight 0.01% and extending its streak to 10 days. The S&P experienced a slight gain of 0.03%, while the NASDAQ faced a decline of 0.22%.

Among the major earnings reports, American Express and Schlumberger both fell short of revenue expectations. This news likely had an impact on the market's mixed performance, with investors reacting negatively to the earnings results of these companies.

	Quarter 1 Revenue	Quarter 2 Forecast Earnings	Quarter 2 Actual Revenue	% Estimated Quarterly Revenue Growth	Today's Stock Growth
American Express	\$ 14.28 billion	\$ 15.41 billion	\$ 15.05 billion	5.39%	-3.89%
Schlumberger	\$7.7 billion	\$ 8.2 billion	\$ 8.10 billion	5.19%	-2.18%

FedNow: On Thursday, the Federal Reserve opened a new instant payment system, which enables banks, credit unions, and their customers to send and receive payments instantaneously on a 24/7 basis, weekends and holidays included. The Federal Reserve claims that there are several benefits to this new payment system, one of those benefits being the ability to access funds from your check on the same day you receive it. While there will likely be more banks that adopt this payment system in the future, there are currently 35 banks and credit unions utilizing this system. Among these banks and credit unions are major banks such as JPMorgan Chase, Wells Fargo, and U.S. Bank.

MAJOR STOCK INDEX PERFORMANCE

	S&P 500	Dow Jones Industrial Average	Nasdaq Composite
Percent Change (Monday)	+0.39%	+0.22%	+0.93%
Percent Change (Tuesday)	+0.71%	+1.06%	+0.76%
Percent Change (Wednesday)	+0.24%	+0.31%	+0.03%
Percent Change (Thursday)	-0.68%	+0.47%	-2.05%
Percent Change (Friday)	+0.03%	+0.01%	-0.22%
Weekly Change	+0.69%	+2.08%	-0.57%

COMMODITY PERFORMANCE

	Crude Oil	Gold	Silver	Copper
Monday Price	\$74.15	\$1,956.40	\$25.018	\$3.8440
Tuesday Price	\$75.75	\$1,980.80	\$25.256	\$3.8295
Wednesday Price	\$75.35	\$1,980.80	\$25.387	\$3.8140
Thursday Price	\$75.84	\$1,974.25	\$24.992	\$3.8303
Friday Price	\$76.81	\$1,963.75	\$24.790	\$3.8182
Weekly Percent Change	+1.28%	-0.03%	-1.60%	-2.92%

U.S. TREASURY SECURITY YIELDS (IN PERCENT)

	1 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
Monday	5.37	5.51	5.49	5.53	5.52	5.33	4.74	4.34	4.02	3.91	3.81	4.10	3.94
Tuesday	5.37	5.50	5.49	5.53	5.51	5.32	4.74	4.35	4.00	3.90	3.80	4.08	3.91
Wednesday	5.37	5.51	5.49	5.54	5.51	5.32	4.74	4.34	3.98	3.87	3.75	4.01	3.84
Thursday	5.44	5.53	5.49	5.54	5.52	5.35	4.80	4.43	4.08	3.98	3.85	4.10	3.91
Friday	5.43	5.54	5.50	5.54	5.53	5.35	4.82	4.44	4.09	3.97	3.84	4.10	3.91

LINKS TO ECONOMIC/FINANCIAL DATA FROM THIS WEEK

VIX Index

<https://www.macrotrends.net/2603/vix-volatility-index-historical-chart>

SCE Credit Access Survey (March-June)

<https://www.newyorkfed.org/microeconomics/sce/credit-access#/>

New Residential Sales

<https://www.census.gov/construction/nrc/current/index.html>

Existing Home Sales

<https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

FedNow

<https://www.federalreserve.gov/newsevents/pressreleases/other20230720a.htm>



WEEKLY MARKET UPDATE

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