

**Market Update**

 (all values as of  
 05.31.2023)

**Stock Indices:**

Dow Jones	32,908
S&P 500	4,179
Nasdaq	12,935

**Bond Sector Yields:**

2 Yr Treasury	4.40%
10 Yr Treasury	3.64%
10 Yr Municipal	2.62%
High Yield	8.64%

**YTD Market Returns:**

Dow Jones	-0.72%
S&P 500	8.86%
Nasdaq	23.59%
MSCI-EAFE	5.04%
MSCI-Europe	6.41%
MSCI-Pacific	1.89%
MSCI-Emg Mkt	0.22%

US Agg Bond	2.46%
US Corp Bond	2.79%
US Gov't Bond	2.53%

**Commodity Prices:**

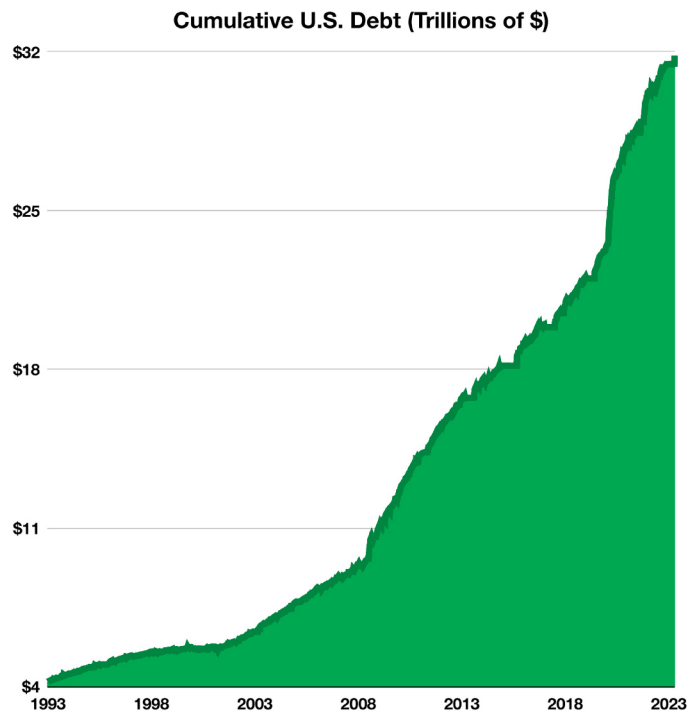
Gold	1,981
Silver	23.61
Oil (WTI)	68.56

**Currencies:**

Dollar / Euro	1.07
Dollar / Pound	1.23
Yen / Dollar	139.14
Canadian / Dollar	0.74

**Macro Overview**

Congress passed legislation during last-minute negotiations to avert a default on the nation's debt. The suspension on the U.S. government's \$31.4 trillion debt ceiling is temporary until lawmakers finalize legislation to fund ongoing federal obligations.



The impasse on the debt ceiling added strain to bond and equity markets in May. Treasury bond yields rose as increasing debt level concerns triggered increased trading in government bonds. Debt ceiling concerns in addition to the uncertainty surrounding regional banks' exposure to commercial real estate contributed to a volatile environment throughout the month.

The Treasury Department plans to issue additional short-term debt to fund immediate federal expenses, with \$61 billion in 6-month bills and \$68 billion in three-month bills already issued as of the first of June. Treasury issuances, also known as auctions, are part of the government's ongoing cash management process.

The 49th summit of the G7 was held in Hiroshima, Japan in late May. The G7, which includes leaders from developed countries, gathered to discuss the Russian invasion of Ukraine, the climate crisis, the pandemic, and global geopolitical tensions. The G7 also conveyed concern surrounding China's economic coercion and its stance on Taiwan.

The Fed's most recent Beige Book survey found that demand for domestic transportation services such as trucking and railroad has been decreasing. The survey also found that commercial construction and real estate activity has also been decreasing overall.

(Sources: U.S. Congress, Treasury Dept., G7, Federal Reserve)

## Equities Endure Volatility – Domestic & International Stock Markets

Uncertainty with the debt ceiling created volatility in domestic equities, yet still maintained positive year-to-date returns for the S&P 500 Index and the Nasdaq. The Dow Jones Industrial Average was still -0.72% for the year. Major international regional indices such as the MSCI EAFE, the MSCI Europe, the MSCI Pacific, and the MSCI Emerging Markets all maintained positive YTD results through the end of May.

(Sources: Dow Jones, S&P, Nasdaq, MSCI, Bloomberg)

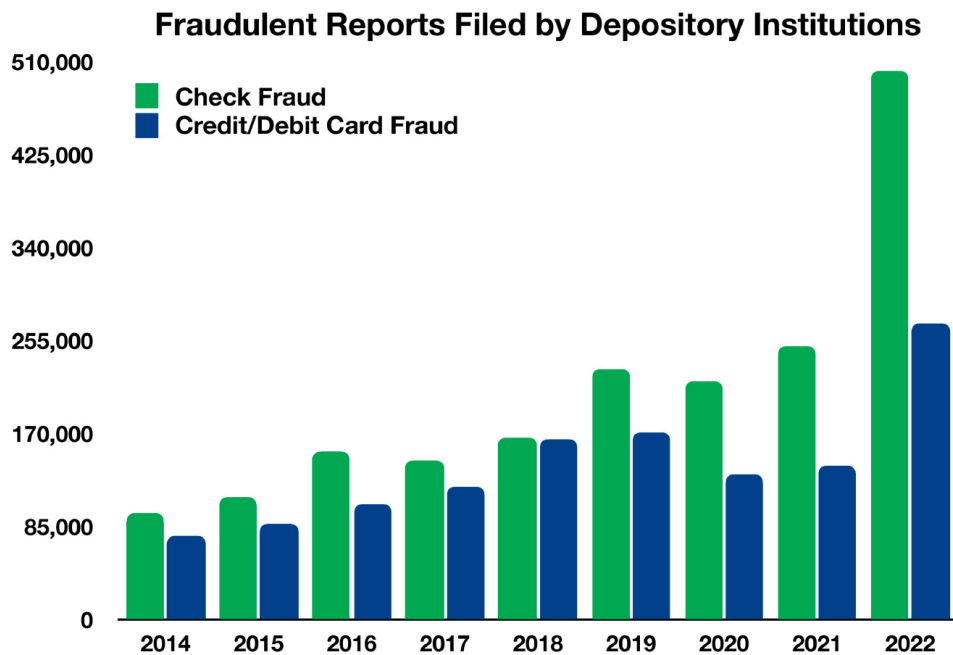
## Debt Ceiling Issues Push Yields Higher – Fixed Income Overview

Government bond yields saw an increase in May as discussions surrounding the debt ceiling transpired. Even with the turmoil in May, all bond sectors were still posting positive year-to-date results as of the end of May. The yield on the 10-year Treasury bond settled at 3.64%, rising slightly as possible increasing costs of borrowing for the government prompted concerns.

(Sources: Treasury, Bloomberg)

## Paper Check Fraud On The Rise – Consumer Awareness

Despite electronic deposits and checks on the rise, paper checks remain an extremely common way to pay expenses such as rent, utilities, donations, and taxes. However, fraud is increasingly targeting paper checks, raising the risks of writing a check.



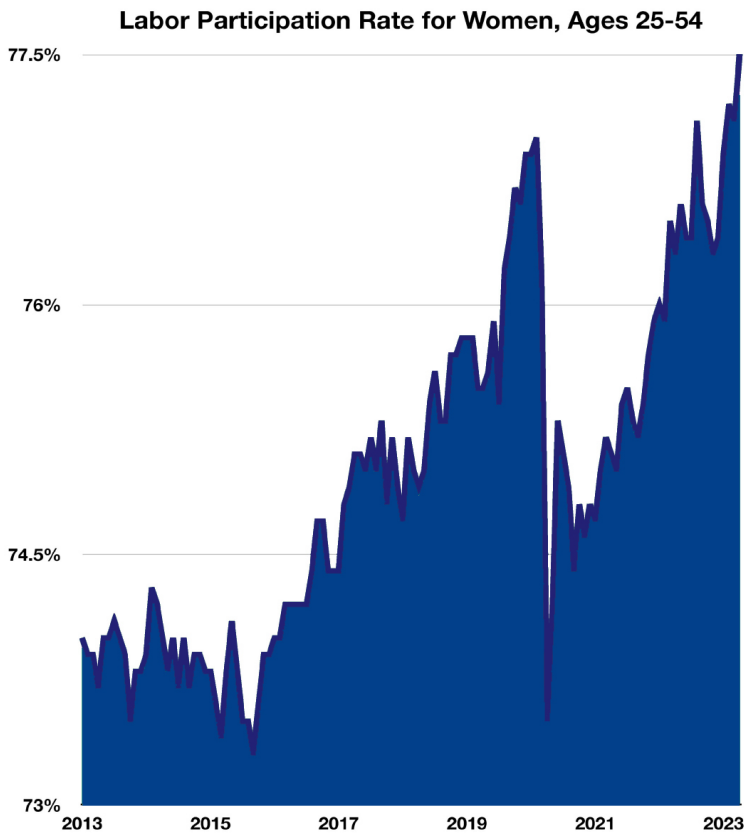
Such fraud can occur in a wide variety of ways, including the targeting of mailboxes where checks lay susceptible. Most of these tactics are low-tech and primarily target a more elderly population that still heavily relies on paper checks. Americans sent out 11.2 billion checks in 2021 alone. Banks are reporting that check fraud has been rising significantly, with credit card fraud the next highest form of fraud.

Certain methods could prevent check fraud. For one, individuals and businesses should limit the number of written checks to reduce the chances of a check being stolen. Experts recommend using gel ink pens rather than ballpoint pens to make it more difficult to remove the ink with chemicals. Additionally, always keep an eye on any unusual transactions and report them as soon as possible to your bank

(Sources: Financial Crimes Enforcement Network, Federal Reserve Bank of the U.S., U.S. Treasury Department)

## More Women in the Workforce – Labor Market Update

An increasing share of women are participating in the workforce, representing a strong recovery from a pandemic-era slump. With more job openings and recruitment of women alongside high inflation driving needs for supplemental income, more women than ever are either employed or searching for work.



This recovery has come quite swiftly from the sudden drop seen in the pandemic, as millions of women either lost their jobs or left the workforce. In the early months of the pandemic, the labor participation rate dropped by over 3.5%, reaching the lowest rate since 2015. The number of women in the workforce had been in a general decline since its peak in 2000, yet showed a sense of resurgence in the late 2010s leading up to the pandemic. Now, the labor participation rate for women between the ages of 25 and 54 is 77.5%, higher than ever recorded. As primarily younger women continuously enter the workforce with plans to work long-term, this rate is expected by many analysts to continue rising.

(Sources: Organization for Economic Co-operation and Development, Federal Reserve Bank of St. Louis)

## Economic Growth & Inflation Starting To Cool – Economic Environment

Following two consecutive quarters of negative Gross Domestic Production (GDP) growth starting in 2022, the year ended with two consecutive quarters of positive growth. While 2023's first quarter also displayed positive growth, marginal growth shows a cooling GDP. GDP grew by 1.1% in the first quarter of 2023, down from 2.6% in the fourth quarter of 2022.

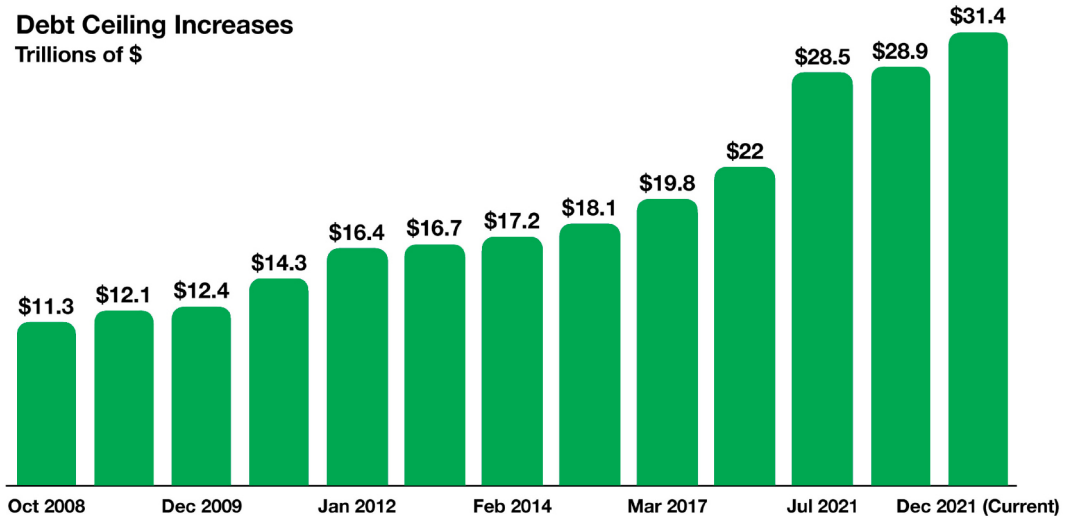
Also trending downward is inflation, increasing 4.9 percent from April 2022 to April 2023, the smallest 12-month increase since April 2021. A large driver behind this decline is the mellowing of more volatile factors such as electricity, gasoline, vehicles, and food. Leading this decline is the price of gasoline, which fell 17.4% in March and 12.2% in April from the year prior.

However, core inflation remains resilient. Core inflation excludes more volatile factors which significantly contributed to inflation's historic rise in 2022. While lower than its September 2022 high of 6.6%, core inflation has remained relatively constant in the past 5 months, measuring in April at 5.5%, just 0.1% lower than in March and the same as in February.

(Sources: Bureau of Labor Statistics, Federal Reserve Bank of St. Louis, Bureau of Economic Analysis)

## Recent History of the Debt Ceiling – Fiscal Policy

In the decades following World War II, the U.S. has seen its debt level steadily increase as the government has faced growing financial commitments. More recently, however, government debt has been expanding at a more significant pace since the early 2000s. Through these past two decades, there have been several political disputes regarding the debt ceiling, which is the limit of debt the government can issue. In January, the debt ceiling of \$31.4 trillion was surpassed, which prompted the U.S. Treasury to implement “extraordinary measures” that will last until early summer to avoid the government defaulting on debt.



There have been several debt ceiling hurdles since the turn of the 20th century. Fortunately, the U.S. has never defaulted on its debt, which means the Treasury would be unable to pay its obligations. However, 2011 saw a point of near default, leading to credit rating agencies’ first downgrade of U.S. debt. In 2013, debates regarding the debt ceiling rose again, with the government experiencing a partial shutdown that led to the furloughing of hundreds of thousands of federal employees until the debt ceiling was suspended.

More recently, another government shutdown occurred in 2018 when the debt ceiling yet again failed to be raised. Now, in 2023, the debt ceiling saw a near-default due to political gridlock and differing interests by the main political parties. The resolution to this will delay further debt negotiations until 2025, suspending the debt ceiling and keeping spending largely at its current level.

The risks of default include severe domestic and global economic repercussions, market volatility, and damage to confidence in the U.S. government’s ability to manage its finances. As political gridlock has driven another debt ceiling crisis, it is important to note that extremely similar circumstances have occurred in the past and will likely continue to occur.

(Sources: Congressional Research Service, U.S. Department of the Treasury)

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\*Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.