



## Weekly Market Commentary – June 26th, 2023

### The Markets

The Artificial Intelligence (AI) Express is traveling fast.

Investors are enthusiastic about AI. Late last year, an AI research lab introduced a chatbot that could answer questions – and people were enthralled. Within two months of its introduction, more than 100 million people had engaged with the technology, reported David Curry of Business of Apps. It wasn't long before AI platforms that could generate images and audio, and help with coding were released.

It's difficult to know whether investor enthusiasm influenced companies, but more firms mentioned artificial intelligence on recent quarterly earnings calls than ever before. AI mentions were up 77 percent during fourth quarter calls (after the chatbot was released) and reached an all-time high on the most recent round of calls, reported Jennifer Ryan of *Bloomberg*.

Between March 15 and May 25, AI was mentioned on the earnings calls of 110 companies in the Standard & Poor's (S&P) 500 index, reported John Butters of FactSet. The sectors where AI was mentioned the most were:

- **Information technology** (IT), which includes industries like semiconductors, software, and IT services;
- **Industrials**, which includes industries like aerospace and defense, air freight and logistics, transportation, and construction and engineering; and
- **Communication services**, which includes industries like telecommunications services, entertainment, and interactive media and services.
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Recent stock market gains have been attributable, primarily, to seven large stocks, five of which are in the IT and communication services sectors. Last week, as major U.S. stock indices gave back some gains, three of the companies finished the week higher and two outperformed the index, reported Al Root of *Barron's*.

U.S. stocks dropped last week largely because investors didn't like what Federal Reserve Chair Jerome Powell had to say. He suggested there could be more rate hikes this year, and that revived recession concerns, reported Stephen Culp of *Reuters*. Yields on most U.S. Treasuries finished the week unchanged or higher.

<b>Data as of 6/23/23</b>	<b>1-Week</b>	<b>YTD</b>	<b>1-Year</b>	<b>3-Year</b>	<b>5-Year</b>	<b>10-Year</b>
Standard & Poor's 500 Index	-1.4%	13.3%	14.6%	11.6%	9.9%	10.7%
Dow Jones Global ex-U.S. Index	-3.4	6.2	8.6	3.9	0.7	2.7
10-year Treasury Note (yield only)	3.8	N/A	3.1	0.7	1.9	2.6
Gold (per ounce)	-1.5	6.5	5.8	3.0	8.8	4.1
Bloomberg Commodity Index	-2.7	-9.3	-15.4	16.5	3.5	-2.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**WHAT DO YOU KNOW ABOUT AI's LIMITATIONS?** As you read about AI, you are likely to encounter some confusing terminology. The U.S. General Accounting Office (GAO) explained that generative AI is “a technology that can create content, including text, images, audio, or video, when prompted by a user. Generative AI systems create responses using algorithms that are trained often on open-source information, such as text and images from the internet. However, generative AI systems are not cognitive and lack human judgment.”

The last sentence in the GAO's definition is quite important. See what you know about AI's limitations by taking this brief quiz.

1. Research scientist Janelle Shane, who writes AI Weirdness, trained a neural network with data from 30,000 cookbooks and asked it to suggest new recipes. Which of the following recipes did it NOT suggest?
  - a. “Chocolate Baked and Serves” – a brownie recipe featuring a cup of horseradish
  - b. “Ethan's Eggs” – made with pancakes, sugar, and Skittles
  - c. “Small sandwiches” – everything but the cheese spends an hour in a food processor
  - d. “Good Wine Drained Chili” – a chicken dish made with milk, garlic and chocolate chips
2. An attorney asked a generative AI chatbot to help him draft a legal brief. What did the chatbot do?
  - a. Referenced fictional past court cases that were fabricated by the chatbot
  - b. Created a deepfake video showing the client being injured
  - c. Created a deepfake audio file of flight attendants discussing the client's alleged injury
  - d. Wrote the brief in the style of Shakespeare
3. The bellhop robots at a Japanese hotel were “let go” after they:
  - a. Consistently left skis and snowboards in the elevators
  - b. Delivered luggage to the wrong rooms
  - c. Ran into walls and tripped over curbs
  - d. Kept delivering toothbrushes when guests requested phone chargers

4. A Scottish soccer team opted for AI-operated cameras that would track the ball and provide better television footage than human camera operators. The choice infuriated fans because:
  - a. The fans didn't want people to lose their jobs
  - b. The AI mistook a ref's bald head for the soccer ball and kept zooming in on him
  - c. The AI confused the stand entrances with the goals, causing fans to miss the action
  - d. The AI kept zooming in on the goal whenever it anticipated a player would score

### Weekly Focus – Think About It

“It is change, continuing change, inevitable change, that is the dominant factor in society today. No sensible decision can be made any longer without taking into account not only the world as it is, but the world as it will be.”

—Isaac Asimov, *biochemistry professor and author*

Answers: 1) b; 2) a; 3) c; 4) b

Best regards,

**Michael Allard**

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\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

\* All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the 3:00 p.m. (London time) gold price as reported by the London Bullion Market Association and is expressed in U.S. Dollars per fine troy ounce. The source for gold data is Federal Reserve Bank of St. Louis (FRED), <https://fred.stlouisfed.org/series/GOLDPMGBD228NLBM>.

- \* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- \* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- \* The Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- \* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- \* The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage is often obtainable in commodity trading and can work against you as well as for you. The use of leverage can lead to large losses as well as gains.
- \* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
- \* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
- \* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- \* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.
- \* There is no guarantee a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.
- \* Asset allocation does not ensure a profit or protect against a loss.
- \* Consult your financial professional before making any investment decision.

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