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Market Week: August 1, 2022

The Markets (as of market close July 29, 2022)

Positive economic news and corporate earnings data helped drive stocks higher last week. Although the Federal Reserve hiked interest rates another 75 basis points, investors may expect subsequent rate increases to be no more than 75 basis points, with the possibility of a slowdown in rate hikes in the not-too-distant future. Each of the benchmark indexes listed here gained at least 2.9%, with the Nasdaq, the S&P 500, and the Russell 2000 climbing more than 4.0%. Ten-year Treasury yields fell for the third consecutive week. Crude oil prices increased for the first time in four weeks. Gold prices jumped nearly $57.00 per ounce, while the dollar dipped lower.

Stock opened last week generally higher, with only the Nasdaq closing last Monday in the red. The benchmark indexes listed here swayed between gains and losses throughout the day as investors tried to gauge the effect of another expected 75-basis point interest-rate hike by the Federal Reserve later in the week. The Russell 2000 led the indexes listed here, rising 0.6%, followed by the Global Dow (0.5%), the Dow (0.3%), and the S&P 500 (0.1%). The Nasdaq slid 0.4% as traders were leery of tech shares in anticipation of earnings reports from several major technology firms. Yields on 10-year Treasuries rose 3.7 basis points to close at 2.82%. The dollar and gold prices declined. Crude oil prices rose nearly $2.00 to $96.78 per barrel.

Investors shunned equities last Tuesday as fears of an economic recession grew ahead of the Federal Reserve's anticipated rate hike on Wednesday. Underwhelming earnings reports from some major corporations, including one of the world's largest retailers, highlighted the impact of inflation on consumer spending. The Nasdaq fell 1.9%, while the S&P 500 slid 1.2% by the close of trading. The Dow and the Russell 2000 declined 0.7%. The Global Dow dipped 0.8%. Ten-year Treasury yields dropped to 2.78%. Crude oil prices decreased to $95.00 per barrel. Gold prices lost $3.40, falling to $1,715.70 per ounce. The U.S. Dollar Index (USDX) rose 0.7% to 107.23.

Last Wednesday saw stocks surge and bond yields slump despite another 75-basis point interest-rate hike by the Federal Reserve. Chair Jerome Powell said the Fed will slow the pace of rate increases at some point but would not offer more concrete information on how many rate hikes will follow or the size of those increases. Nearly all the market sectors in the S&P 500 rose, driving the index up 2.6% on the day. The Nasdaq jumped 4.1%, the most since November 2020. The Russell 2000 advanced 2.4%, the Dow climbed 1.4%, and the Global Dow added 1.2%. Ten-year Treasury yields fell 5.3 basis points to 2.73%. Crude oil prices rose $3.16 to hit $98.14 per barrel. The dollar dipped, while gold prices jumped nearly $16.00 per ounce.

The stock rally continued into Thursday, with each of the benchmark indexes listed here gaining at least 1.0%. The Russell 2000 led the surge, climbing 1.3%, followed by the S&P 500 (1.2%) and the Nasdaq (1.1%), with the Dow and the Global Dow advancing 1.0%. Bond prices rose higher, dragging yields lower. Ten-year Treasury yields slid 5.3 basis points to 2.68%. Crude oil prices dipped to $97.15 per barrel. The dollar fell marginally, while gold prices increased for the second consecutive day. Data released last Thursday showed gross domestic product decreased in the second quarter, but not by as much as the first quarter. In a bit of an ironic twist, evidence that the economy may be slowing is likely to check rising inflation, which could lead to moderation in the Federal Reserve's pace of tightening, which would be

Key Dates/Data Releases
8/1: Markit PMI
8/2: JOLTS
8/3: Markit Services PMI
8/4: International trade in goods and services
8/5: Employment situation

favorable for stocks.

Wall Street closed higher last Friday, ending a choppy week of trading. Strong earnings reports from some major megacap tech companies helped push stocks higher. The Nasdaq and the S&P 500 led the gainers, advancing 1.9% and 1.4%, respectively. The Global Dow rose 1.3%, followed by the Dow (1.0%) and the Russell 2000 (0.7%). Crude oil prices climbed $1.81 to hit $98.23 per barrel. The dollar dipped lower, while gold continued to rally, adding $9.60 to reach $1,778.80 per ounce. The yield on 10-year Treasuries fell 3.9 basis points to 2.64%.

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 7/29	Weekly Change	YTD Change
DJIA	36,338.30	31,899.29	32,845.13	2.97%	-9.61%
Nasdaq	15,644.97	11,834.11	12,390.69	4.70%	-20.80%
S&P 500	4,766.18	3,961.63	4,130.29	4.26%	-13.34%
Russell 2000	2,245.31	1,806.88	1,885.73	4.36%	-16.01%
Global Dow	4,137.63	3,536.52	3,639.48	2.91%	-12.04%
Fed. Funds target rate	0.00%-0.25%	1.50%-1.75%	2.25%-2.50%	75 bps	225 bps
10-year Treasuries	1.51%	2.78%	2.64%	-14 bps	113 bps
US Dollar-DXY	95.64	106.59	105.83	-0.71%	10.65%
Crude Oil-CL=F	$75.44	$94.65	$98.23	3.78%	30.21%
Gold-GC=F	$1,830.30	$1,722.00	$1,778.80	3.30%	-2.81%

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

- As expected last Wednesday, the Federal Open Market Committee raised the target range for the federal funds rate 75.0 basis points to 2.25%-2.50%. The Committee anticipates ongoing increases in the target range, while continuing to reduce its holdings, until reaching the Committee's objective of 2.0% inflation. In support of its decision, the FOMC noted that "indicators of spending and production have softened" but the employment sector remains strong. Nevertheless, inflation remains elevated due to supply and demand imbalances related to the pandemic, higher food and energy prices, and the ongoing Russia/Ukraine war.
- Gross domestic product decreased at an annual rate of 0.9% in the second quarter, according to the initial, or "advance," estimate from the Bureau of Economic Analysis. GDP decelerated at a rate of 1.6% in the first quarter. The second-quarter decline reflected decreases in private inventory investment, residential fixed investment, federal government spending, state and local government spending, and nonresidential (business) fixed investment that were partly offset by increases in exports and personal consumption expenditures. Imports, which are a subtraction in the calculation of GDP, increased. The decrease in private inventory investment was led by a downturn in retail trade, most notably merchandise stores and motor vehicle dealers. Residential fixed investment dropped 14.0% in the second quarter. The personal consumption expenditures price index, an indicator of inflation, increased 7.1% in the second quarter, matching the increase in the first quarter. Consumer spending, as measured by personal consumption expenditures, increased 1.0% in the second quarter following a 1.8% increase in the first quarter.
- Consumer prices rose 1.0% in June, according to the latest Personal Income and Outlays report from the Bureau of Economic Analysis. Excluding food and energy, prices advanced 0.6%. On an annual basis, prices rose 6.8% for the 12 months ended in June, up from 6.3% for the 12 months ended in May. Consumer spending also increased in June, rising 1.1%. Spending on goods rose 1.6%, while consumer spending on services advanced 0.8%. Personal income advanced 0.6% in June, while disposable (after-tax) personal income increased 0.7%. Wages and salaries rose 0.4% in June, and rental income increased 2.5%.
- The housing market continues to retreat. Sales of new single-family homes dipped 8.1% in June and are 17.4% below the June 2021 pace. The median sales price of new houses sold in June was $402,400. The average sales price was $456,800. Inventory of new single-family homes for sale in June represented a supply of 9.3 months, higher than the 8.4-month supply in May. The June supply is the

highest since May 2010.

- The international trade in goods deficit shrunk in June, falling $5.9 billion from the May figure. Exports of goods for June were $4.4 billion more than May exports. Imports of goods were $1.5 billion less than May imports. The June 2022 deficit was $7.6 billion above the June 2021 trade deficit.
- New orders for durable goods rose 1.9% in June over the previous month. Excluding transportation, new orders increased 0.3%. Excluding defense, new orders increased 0.4%. Transportation equipment, up for three consecutive months, led the increase, advancing 5.1%. New orders for nondefense capital goods in June increased 0.1%. New orders for defense capital goods slid 2.7%. Several categories saw a decrease in new orders, including nondefense aircraft and parts (-2.1%), communications equipment (-2.3%), and primary metals (-1.1%). Areas of growth included computers and related products (+5.9%), electrical equipment, appliances, and components (+2.5%), transportation equipment (+5.1%), and motor vehicles and parts (+1.5%). New orders for defense aircraft and parts vaulted 80.6% higher in June.
- The national average retail price for regular gasoline was $4.330 per gallon on July 25, $0.160 per gallon below the prior week's price but $1.194 higher than a year ago. Also as of July 25, the East Coast price decreased $0.139 to $4.206 per gallon; the Gulf Coast price fell $0.169 to $3.831 per gallon; the Midwest price dropped $0.201 to $4.227 per gallon; the West Coast price slid $0.128 to $5.266 per gallon; and the Rocky Mountain price fell $0.194 to $4.656 per gallon. Residential heating oil prices averaged $3.456 per gallon on July 22, about $0.243 per gallon less than the prior week's price. According to the U.S. Energy Information Administration report of July 27, prices for propane have steadily declined since reaching a peak in March. Propane prices, which are correlated to crude oil prices, have fallen 32.0% to $1.11 per gallon, down from $1.64 per gallon on March 11.
- For the week ended July 23, there were 256,000 new claims for unemployment insurance, a decrease of 5,000 from the previous week's level, which was revised up by 10,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended July 16 was 1.0%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended July 16 was 1,359,000, a decrease of 25,000 from the previous week's unrevised level. States and territories with the highest insured unemployment rates for the week ended July 9 were Puerto Rico (2.1%), New Jersey (2.1%), California (1.9%), Rhode Island (1.9%), New York (1.6%), Pennsylvania (1.6%), Connecticut (1.5%), Massachusetts (1.4%), Alaska (1.3%), and the Virgin Islands (1.3%). The largest increases in initial claims for the week ended July 16 were in Massachusetts (+14,142), Connecticut (+6,000), Georgia (+3,166), South Carolina (+3,149), and California (+2,681), while the largest decreases were in New York (-3,633), Ohio (-3.633), Kentucky (-1,907), New Jersey (-1,872), and Indiana (-1,865).

Eye on the Week Ahead

The employment figures for July are out this week. There were 372,000 new jobs added in June and hourly earnings increased 0.3%. Earnings have risen 5.1% since June 2021. The unemployment rate, currently 3.6%, has remained relatively steady. Overall, the employment numbers have been solid, lending credence to the Federal Reserve's assessment that the labor market is strong and able to withstand rate hikes.

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 warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

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.