

# WeeklyMarket Update



## General Market News

- Without a Federal Open Market Committee (FOMC) meeting in August, the Federal Reserve (Fed) will likely rely on this week's Economic Policy Symposium in Jackson Hole, Wyoming, as an opportunity to bolster its message and reiterate a hawkish stance in an attempt to further tighten economic conditions. Regarding the next rate decision in September, Fed Bank of St. Louis President Jim Bullard commented, "We should continue to move expeditiously to a level of the policy rate that will put significant downward pressure on inflation" and "I don't really see why you want to drag out interest rate increases into next year." Bullard went on to say, "I would lean toward the 75 basis points (bps) at this point." The U.S. Treasury yield curve was up last week, with the 2-year, 5-year, 10-year, and 30-year up 4 bps (to 3.29 percent), 15 bps (to 3.11 percent), 13 bps (to 2.96 percent), and 9 bps (to 3.2 percent), respectively.
- Equity markets took a break from their recent rally last week as commentary from Fed members James Bullard and Esther George signaled a continued need to keep rates elevated to further slow inflation down. As a result, the inflation-oriented sectors—consumer staples, utilities, energy, and health care—held up best while communication services, materials, REITs, and financials underperformed. Communication services has seen a slew of streaming providers raise prices due to a recent focus on monetization and content. Last week also saw a slew of retail earnings from Walmart (WMT), Target (TGT), Home Depot (HD), Lowes (LOW), TJX Companies (TJX), and Ross Stores (ROST). Walmart maintained guidance after needing to provide sales incentives on several big-ticket items, such as patio furniture and TVs, as customer appetites have rapidly shifted along with inflation. This week's personal income and spending report will provide a greater indication of the strength of the consumer amid mixed retail sales data last week.
- On Wednesday, the FOMC meeting minutes from the Fed's July meeting were released. The central bank hiked the federal funds rate by 75 bps at this meeting, and economists and investors eagerly anticipated the release of the minutes to gain hints on the future path of monetary policy. Unfortunately, the minutes did not contain significant hints on whether the central bankers were leaning toward a 50 bps or 75 bps interest rate hike at the Fed's September 21 meeting. Futures markets are pricing in a 50/50 chance of a 50 bps or 75 bps hike. The Fed is expected to remain focused on incoming economic data to help with its decision; August inflation and jobs reports are set to be released before the September meeting.

## Market Index Performance Data

### EQUITIES

| Index                 | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500               | -1.16        | 2.50          | -10.39       | -3.37    |
| Nasdaq Composite      | -2.58        | 2.63          | -18.37       | -13.03   |
| DJIA                  | -0.05        | 2.83          | -6.02        | -2.12    |
| MSCI EAFE             | -2.19        | -0.72         | -16.17       | -14.59   |
| MSCI Emerging Markets | -1.48        | 1.11          | -16.91       | -15.56   |
| Russell 2000          | -2.90        | 3.92          | -12.11       | -8.59    |

Source: Bloomberg, as of August 19, 2022

### FIXED INCOME

| Index             | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | -1.68         | -9.70        | -10.51   |
| U.S. Treasury     | -1.68         | -9.24        | -10.22   |
| U.S. Mortgages    | -1.92         | -7.65        | -8.25    |
| Municipal Bond    | -1.40         | -7.89        | -7.97    |

Source: Morningstar Direct, as of August 19, 2022



## What to Look Forward To

On Wednesday, the preliminary July durable goods orders report is set to be released. Durable goods orders are expected to rise 0.6 percent after a 2 percent increase in June. Core durable goods orders, which strip out the impact of volatile transportation orders, are set to increase 0.1 percent. Core durable goods orders are often viewed as a proxy for business investment, so this anticipated result would signal continued business spending for the fifth consecutive month. Business spending and hiring has held up well this summer as continued high levels of demand have supported further business investment despite headwinds created by inflation.

On Friday, personal income and personal spending reports are set to be released. Personal income is set to increase 0.6 percent, which would be in line with June's 0.6 percent increase. Spending is also expected to show signs of growth, with economists calling for a 0.4 percent increase after a better-than-expected 1.1 percent rise in June. If estimates hold, these reports would signal that consumers remain willing and able to spend, which is a good sign for the overall economy given the importance of consumer spending on economic growth.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. Rev.08/22.

Authored by the Investment Research team at Commonwealth Financial Network®