Weekly Market Update

General Market News

- Last week's inflation reports showed encouraging signs of softening, but the Federal Reserve (Fed) is still far from out of the woods and is looking for much stronger signs of moderation. For July, the Producer Price Index (PPI) fell 0.5 percent (against market estimates of a 0.2 percent increase) and the Consumer Price Index (CPI) showed a price increase of 8.5 percent on a headline basis (against market estimates of an 8.7 percent increase). Despite these mildly positive signs, there is still plenty of work to be done and many market participants expect the Fed to consider a 50 or 75 basis point (bp) rate hike at the September FOMC meeting. The U.S. Treasury yield curve saw modest changes last week. The 2-year and 30-year fell 1 bp (to 3.2 percent) and 3 bps (to 3.13 percent), respectively, while the 5-year and 10-year rose 6 bps (to 2.97 percent) and 8 bps (to 2.86 percent), respectively.

- Equity markets rallied last week as both consumer and producer inflation came in lower than expected, offering the first sign of relief from rising prices since the second quarter of 2021. While inflation remains well above long-term norms, this represents the first hint of potential easing moving forward. It's important to note that a main contributor to the inflation report was a monthly decline in fuel prices, which are more volatile than items such as housing and impact the inflation data on a lag. Despite the softer data on inflation, performance was mixed. Sectors sensitive to inflation, such as energy, financials, materials, and REITs, were among the best performers. Consumer staples and health care were among the worst performers. This week will see numerous reports from retailers such as Walmart (WMT), Home Depot (HD), Lowes (LOW) TJX Companies (TJX), Target (TGT), Estee Lauder (EL), and Ross Stores (ROST).

- On Wednesday, the July Consumer Price Index report was released. Consumer inflation came in below expectations, with headline prices remaining unchanged in July against calls for a 0.2 percent increase. On a year-over-year basis, consumer prices were up 8.5 percent, below the 9.1 percent increase in June and economist estimates for an 8.7 percent rise. Much of the slowdown in headline prices was due to falling gas prices; however, even core inflation showed signs of moderating. Core consumer prices, which strip out energy and food prices, increased 0.3 percent, well below the 0.7 percent increase in June and economist estimates for a 0.5 percent rise.

- Thursday saw the release of the July Producer Price Index report. Producer prices also showed signs of slowing inflation. Headline producer prices fell 0.5 percent against calls for a 0.2 percent increase, marking the first monthly decline for producer prices in more than two years. Producer inflation cooled on a year-over-year basis, too. Core producer prices, which strip out volatile energy and food prices, increased 0.2 percent during the month and 7.6 percent year-over-year, failing to meet economist estimates. All in all, the two inflation reports showed positive signs of cooling inflationary pressure, but it's likely the Fed will want to see continued evidence of slowing inflation.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	3.31	3.71	–9.34	–2.77
Nasdaq Composite	3.10	5.35	–16.21	–11.35
DJIA	2.99	2.87	–5.98	–3.06
MSCI EAFE	2.16	1.50	–14.29	–15.25
MSCI Emerging Markets	1.65	2.63	–15.67	–18.25
Russell 2000	4.97	7.03	–9.48	–8.18

Source: Bloomberg, as of August 12, 2022

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	–0.80	–8.89	–9.56
U.S. Treasury	–0.99	–8.60	–9.32
U.S. Mortgages	–0.98	–6.77	–7.41
Municipal Bond	–0.19	–6.76	–6.82

Source: Morningstar Direct, as of August 12, 2022

What to Look Forward To

On Wednesday, the FOMC meeting minutes from the Fed's July meeting will be released. The Fed hiked the federal funds rate by 75 bps at that meeting, and economists and investors will monitor the minutes for hints about future Fed plans. Although strong job growth and cooling inflationary pressure in July were encouraging, the central bank is still expected to tighten monetary policy throughout the rest of the year. Markets are pricing in a rate hike of 50 bps at the Fed's next meeting on September 21, with additional hikes expected in November and December.

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.

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