AUGUST 22, 2022

Weekly Market 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.

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