Weekly Market Report

Friday, July 15th 2022

INDEX PERFORMANCE

Index Name	WTD % CHG	YTD % CHG
DOW JONES	-0.410%	-14.113%
NASDAQ	-1.776%	-26.950%
S&P	-1.108%	-19.093%
FTSE	-1.702%	-24.678%
APAC EX JAPAN	-3.728%	-19.432%

SECTOR PERFORMANCE

Sector Name	WTD % CHG	YTD % CHG
Energy	-3.303%	22.600%
Utilities	-0.013%	-2.935%
Consumer Staples	0.037%	-6.259%
Materials	-1.257%	-20.220%
Real Estate	-0.576%	-21.084%
Health Care	-0.971%	-10.048%
Industrials	-1.373%	-19.649%
Financials	-0.825%	-19.126%
Consumer Discretionary	-0.872%	-29.569%
Information Technology	-0.996%	-25.982%
Communication Services	-2.415%	-29.345%

Market Summary

Written by: Michael Davern

Equities:

Price volatility again was a key theme in equity markets this week. Investors eyed key macro figures along with bank earnings to give direction on monetary policy moves. Wednesday, a higher than anticipated inflation figure resulted in a steep sell-off at the market open, but major averages nearly recovered all of their losses going into the close. From a sector perspective, there was a lean into defensive equities as the consumer staples portion of the market managed to squeeze out a slight increase on a WTD basis of +.1%. A number of key financial institutions that have a global footprint reported earnings in the latter half of the week. Much of their guidance could be summarized as current conditions of customers' balance sheets are strong, but they're forecasting and preparing for a slow down due to tightening conditions. Their preparedness can be seen through a number of them halting share buybacks and increasing capital. To close the week, we saw the S&P 500 rise , and the NASDAQ followed suit with a increase.

Fixed Income:

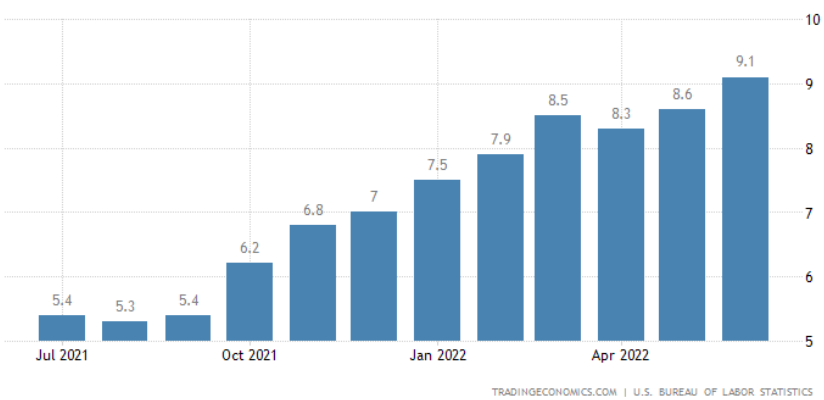
Inversion was the main theme in the fixed income markets this week. Inversion is when the treasury curve (bonds of different maturities and same rating) has shorter maturities that yield higher returns than longer-dated bonds. Arguably the most sought curve is the two-year US treasury vs. the ten-year US Treasury which some say signals economic weakness. This week that particular spread widened sharply, with the difference sitting at .2% as the ten-year traded sharply lower to 2.9% and the two-year rose to 3.1%. Another sought-after curve that expresses dollar strength is the 5 yr treasury vs. the 30-year treasury which also saw an inversion. Off of this inversion, we saw the Dollar rally to near 20-year highs in a move for currency markets that's rarely seen. All of this led to great bond price volatility, with the MOVE (tracks price Vol in bond derivative markets) holding strong at 5-year highs.

Economy:

This week, the US inflation print was at the top of the mind for investors in both the equity and fixed income markets. Forecasters had CORE inflation, which represents a less volatile basket of goods, slated to increase YoY at a pace of +5.8% though it fell slightly higher at 5.9%. This CORE number did come in lower than May's reading of 6%, signaling some element of a peak in these price increases. Although, the real upward surprise off forecasts was the headline inflation figure which does not exclude volatile goods, coming in at +9.1% YoY vs. estimates of 8.8% and signaling no slow down as May's figure was +8.6%. Along with consumer costs reporting, producer price index or PPI was also reported this week, running very close to parallel to each other. Headline PPI came in at +11.3% YoY vs. estimates of 10.9%, and CORE PPI fell slightly vs. estimates at +8.2% YoY vs. forecasts of 8.3%. Finally, we saw some elements of continued consumer strength with retail figures reported on Friday. Here we saw a strong uptick in headline retail sales with a +1% MoM increase vs. May's figure of -.1%. The strongest element of this beat came on a YoY basis, where forecasters slated the figure at a +6.5% increase and came in at +8.4%.

Chart of the Week

Headline Inflation



No Signs of Price Stabilization

- Headline CPI increases to 9.1 YoY
  - Fastest pace since early 1980s
- Forecasters anticipated plateauing price increases but this report beat estimates

Citations

Graph: https://tradingeconomics.com/germany/inflation-cpi
Data with write up: Trading Economics for Macroeconomic figures
Yahoo Finance for index pricing

Pricing as of 3:15pm EST 7/15/22

Acronym Key:

- WTD: Week to date
- YTD: Year to date
- CHG: Change
- PPI: Producer Price Index
- CPI: Consumer Price Index
- YoY: Year over year change