SEPTEMBER 6, 2022

Weekly Market Update

General Market News

- Following hawkish messaging from the Federal Reserve (Fed)'s economic symposium at the end of August, market participants look toward the next rate decision set to take place on September 21. Current conditions point to a fairly even split between expectations for an increase of 50 and 75 basis points (bps). Recent employment data has been encouraging and lends some flexibility and support for hawkish moves in the coming months. Although the preliminary results for August show a small increase in the unemployment rate to 3.7 percent, that rate is still in a comfortable spot and was accompanied by a strong month of 315,000 jobs added. Initial jobless claims also fell in the final week of August, pointing to a labor market that remains tight—even in the midst of relatively weak economic growth. U.S. Treasury yields were up across the curve last week. The 2-year, 5-year, 10-year, and 30-year rose 8 bp (to 3.48 percent), 17 bps (to 3.38 percent), 21 bps (to 3.25 percent), and 18 bps (to 3.37 percent), respectively.

- The markets sold off again last week as they continue to give up post-June rally gains following a reiteration of tighter policy from the Fed. Global central banks echoed this sentiment with the European Central Bank widely expected to hike 75 bps this week. The continued tightening by developed market central banks has led to concerns around overall global growth. As a result, markets maintained their recent risk with utilities, health care, communication services, and consumer staples as the top-performing sectors last week. Materials, technology, and REITS underperformed, and semiconductors sold off as the U.S. announced a ban of advanced AI chips to China. Nvidia (NVDA) was hit hard—selling off more than 16 percent—and American Micro Devices (AMD) fell more than 12 percent. Walmart (WMT), Target (TGT), and Dollar General (DG) outperformed while health care names such as McKesson (MCK), Abbott Labs (ABT), and Cardinal Health (CAH) also fared well.

- On Tuesday, the Conference Board Consumer Confidence Index for August was released. Confidence increased more than expected; the index rose from 95.7 in July to 103.2 against calls for an increase to 98. This better-than-expected result, which snapped a streak of three consecutive months with declining confidence, was fueled by improved consumer expectations. Despite the improvement, the index remains well below the pandemic-era high of 128.9 from June 2021. We'll likely need to see a continued slowdown in inflationary pressure before the index can recover to recent highs.

- Friday saw the release of the August employment report, which showed that 315,000 jobs were added during the month, better than the 298,000 expected by economists. This represents a strong month of job growth on a historical basis and likely supports Fed plans for tighter monetary policy at its September meeting. Although the unemployment rate rose from 3.5 percent to 3.7 percent during the month, it was largely due to an influx of workers returning to the labor market, which is a positive development. This was another strong employment report that showcased the strength of the labor market.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–3.23	–0.75	–16.78	–12.16
Nasdaq Composite	–4.18	–1.56	–25.25	–23.74
DJIA	–2.85	–0.60	–12.54	–9.66
MSCI EAFE	–3.01	–1.97	–20.24	–21.63
MSCI Emerging Markets	–3.41	–2.63	–19.31	–23.96
Russell 2000	–4.70	–1.85	–18.70	–20.05

Source: Bloomberg, as of September 2, 2022

FIXED INCOME

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–0.21	–10.94	–11.64
U.S. Treasury	–0.19	–10.15	–10.87
U.S. Mortgages	–0.06	–9.12	–9.79
Municipal Bond	–0.54	–9.12	–9.09

Source: Morningstar Direct, as of September 2, 2022

What to Look Forward To

On Tuesday, the ISM Services index for August will be released. Economists expect service sector confidence to decline from 56.7 in July to 55.2. This is a diffusion index, where values above 50 indicate growth, so this would still signal an expansionary level of service sector confidence. Given still relatively strong levels of consumer demand for services, it's possible the index will beat expectations for August, which would be a good sign for the health of the overall economy.

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