



Market Week: July 11, 2022



The Markets (as of market close July 8, 2022)

Last Friday's strong jobs report may have alleviated fears of a recession for the time being, but it also likely supported a more aggressive response from the Federal Reserve as it tries to dampen rising inflation. Stocks started July on a strong note, with each of the benchmark indexes listed here posting solid gains. The tech-heavy Nasdaq, which has been hit hard during the first half of the year, gained over 4.5%, although it remains more than 25.0% below its 2021 year-end value. The small caps of the Russell 2000, down more than 21.0% from the beginning of the year, jumped nearly 2.5% higher last week. Wall Street is likely to see volatility continue until investors see signs that the Fed is backing off its current path of rate increases. With corporate earnings season right around the corner, traders will focus on company forecasts as well as inflation data to assess the health of the economy.

Stocks began the holiday-shortened week generally higher last Tuesday, with the Nasdaq gaining 1.8%. Treasury prices rallied, sending yields lower, despite talks of easing trade sanctions against China, as worries of an economic recession persisted among investors. The Russell 2000 gained 0.8%, while the S&P 500 eked out a 0.2% advance. The Global Dow (-1.8%) and the Dow (-0.4%) dipped lower. Ten-year Treasury yields slid 8 basis points, falling to 2.80%. Crude oil prices posted their largest decline since March, dropping to just below \$100 per barrel. On the other hand, the dollar jumped higher against a basket of currencies.

Last Wednesday saw equities close generally higher for the third consecutive session. The Nasdaq and the S&P 500 each added 0.4%, while the Dow gained 0.2%. The small caps of the Russell 2000 (-0.8%) and the Global Dow (-0.4%) closed lower. Bond prices dipped lower, sending the yield on 10-year Treasuries up 10.4 basis points to reach 2.91% by the close of trading. Crude oil prices fell for a second straight day, falling \$1.40 to end the day at \$98.10 per barrel. The dollar advanced, while gold prices sank to \$1.73 per ounce. Investors apparently weren't influenced by last Wednesday's economic data, which evidenced some softening. Job openings dipped in May, and growth in the services sector eased in June to a more than two-year low. Minutes from the Federal Reserve's last meeting in June reflected a Fed that is very much concerned with inflation, to the point of talking about the potential for an even more restrictive policy over time.

Stocks gained for the fourth session in a row last Thursday. Investors may be banking on the Federal Reserve being able to curb inflation without sending the economy into a recession. The dollar dropped for the first time in five days as each of the benchmark indexes posted solid gains, led by the Russell 2000 (2.4%), closely followed by the Nasdaq (2.3%). The Global Dow (1.8%), the S&P 500 (1.5%), and the Dow (1.1%) also advanced. Ten-year Treasury yields ended the day at 3.00%, an increase of 9.5 basis points. Crude oil prices jumped \$3.67 to \$102.20 per barrel. Gold prices ended a downward trend after climbing \$2.90 to reach \$1,739.40 per ounce.

Friday closed the week for stocks with mixed results. The Nasdaq inched up 0.1% and the Global Dow rose 0.2%. The remaining benchmark indexes listed here slipped marginally lower. Ten-year Treasury yields gained 9.3 basis points to reach 3.10%. Crude oil prices continued to advance, climbing nearly \$2.00 to sit at \$104.69 per barrel. The dollar fell, while gold prices rose for the second consecutive day.

Key Dates/Data Releases

7/13: Consumer Price index, Treasury statement

7/14: Producer Price index

7/15: Retail sales, import and export prices, industrial production

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 7/8	Weekly Change	YTD Change
DJIA	36,338.30	31,097.26	31,338.15	0.77%	-13.76%
Nasdaq	15,644.97	11,127.84	11,635.31	4.56%	-25.63%
S&P 500	4,766.18	3,825.33	3,899.38	1.94%	-18.19%
Russell 2000	2,245.31	1,727.76	1,769.36	2.41%	-21.20%
Global Dow	4,137.63	3,513.94	3,514.36	0.01%	-15.06%
Fed. Funds target rate	0.00%-0.25%	1.50%-1.75%	1.50%-1.75%	0 bps	150 bps
10-year Treasuries	1.51%	2.88%	3.10%	22 bps	159 bps
US Dollar-DXY	95.64	105.09	106.95	1.77%	11.83%
Crude Oil-CL=F	\$75.44	\$108.39	\$104.86	-3.26%	39.00%
Gold-GC=F	\$1,830.30	\$1,809.00	\$1,740.40	-3.79%	-4.91%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Employment rose by a higher-than-expected 372,000 in June, with notable job growth occurring in professional and business services, leisure and hospitality, and health care. The unemployment rate was 3.6% for the fourth month in a row, and the number of unemployed persons was essentially unchanged at 5.9 million in June. These measures are little different from their values in February 2020 (3.5% and 5.7 million, respectively), prior to the coronavirus (COVID-19) pandemic. The labor force participation rate, at 62.2%, and the employment-population ratio, at 59.9%, were little changed over the month. Both measures remain below their February 2020 values (63.4% and 61.2%, respectively). In June, 2.1 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic, up from 1.8 million in May. In June, average hourly earnings rose by \$0.10, or 0.3%, to \$32.08. Over the past 12 months, average hourly earnings have increased by 5.1%. The average work week was unchanged from the previous month at 34.5 hours in June.
- The services sector saw new orders decrease in June, with price pressures and economic uncertainty hitting demand. According to the latest report, the S&P Global US Services PMI Business Activity Index registered 52.7 in June, remaining above 50.0, thereby signaling an increase in business activity, albeit at a slower pace than in May when the PMI registered 53.4. Business confidence outlook for the year ahead dropped to a 21-month low. On a more positive note, employment continued to increase sharply.
- According to the latest Job Openings and Labor Turnover report, the number of job openings decreased in May to 11.3 million, a drop of about 427,000 from the April total. The largest decreases in job openings were in professional and business services (-325,000), durable goods manufacturing (-138,000), and nondurable goods manufacturing (-70,000). In May, the number of hires, at 6.5 million, and the number of total separations, at 6.0 million, were little changed from the prior month's respective totals. Over the 12 months ended in May, hires totaled 78.4 million and separations totaled 72.0 million, yielding a net employment gain of 6.4 million.
- The international goods and services trade deficit for May was \$85.5 billion, down \$1.1 billion, or 1.3%, from the April deficit. According to the latest information from the Bureau of Economic Analysis, in May exports increased 1.2% and imports advanced 0.6%. Year to date, the goods and services deficit increased \$126.5 billion, or 38.4%, from the same period in 2021. Exports increased \$197.1 billion, or 19.4%. Imports increased \$323.6 billion, or 24.0%.
- The national average retail price for regular gasoline was \$4.77 per gallon on July 4, \$0.101 per gallon below the prior week's price but \$1.649 higher than a year ago. Also as of July 4, the East Coast price decreased \$0.10 to \$4.59 per gallon; the Gulf Coast price fell \$0.15 to \$4.35 per gallon; the Midwest price dropped \$0.09 to \$4.73 per gallon; the West Coast price slid \$0.09 to \$5.69 per gallon; and the Rocky Mountain price rose \$0.02 to \$5.00 per gallon. Residential heating oil prices averaged \$3.94 per gallon on July 1, about \$0.42 per gallon less than the prior week's price. According to the U.S. Energy Information Administration, gasoline consumption during the second quarter of 2022 and into the beginning of July remained lower than 2021 levels. Excluding the pandemic year of 2020, this would be the lowest second quarter of gasoline consumption since 2001. Although U.S. gasoline consumption has not completely returned to pre-pandemic levels, it generally increased from mid-2020 through the first



quarter of 2022. April was the first month this trend reversed.

- For the week ended July 2, there were 235,000 new claims for unemployment insurance, an increase of 4,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended June 25 was 1.0%, an increase of 0.1 percentage point from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended June 25 was 1,375,000, an increase of 51,000 from the previous week's level, which was revised down by 4,000. States and territories with the highest insured unemployment rates for the week ended June 18 were New Jersey (1.9%), Puerto Rico (1.9%), California (1.8%), Pennsylvania (1.5%), New York (1.4%), Alaska (1.3%), Rhode Island (1.3%), Connecticut (1.2%), Hawaii (1.2%), Illinois (1.2%), and Massachusetts (1.2%). The largest increases in initial claims for the week ended June 25 were in New Jersey (+5,569), Massachusetts (+3,217), Ohio (+2,588), Kentucky (+1,478), and Missouri (+1,375), while the largest decreases were in California (-2,504), Texas (-2,074), Michigan (-1,683), Pennsylvania (-1,628), and Georgia (-1,606).

Eye on the Week Ahead

This is a busy week for the release of important economic data. Most of the attention, however, will focus on the Consumer Price Index for June. May saw consumer prices jump unexpectedly higher at 1.0%. Consumer prices have risen 8.6% since June 2021. Several analysts suggest that the June CPI will come in lower than the May figure.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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