



Market Week: September 6, 2022



The Markets (as of market close September 2, 2022)

Equities suffered losses for the third consecutive week, as investors anticipated continued aggressive moves by the Federal Reserve to combat inflation. The S&P 500 extended its longest losing streak since mid-June. The latest labor report (see below) seemed to validate the Fed's contention that the economy is strong enough to endure more tightening. The tech-heavy Nasdaq and the Russell 2000 lost more than 4.0%. Meanwhile, a key Russian gas pipeline to Europe remained closed, increasing the likelihood of blackouts and rationing. Restrictions on natural gas supplies, coupled with the possibility that the European Central Bank could raise interest rates by 75 basis points, is worried investors about the probability of an economic recession in Europe that would impact the U.S. economy. Weakening demand sent crude oil prices lower. The dollar inched higher, while gold prices declined.

Stocks continued to trend lower last Monday, adding to the prior week's losses. Each of the benchmark indexes listed here fell deeper into the red, led by the Nasdaq, which slid 1.0%, dragged lower by falling megacap technology and growth shares. The Russell 2000 (-0.9%), the S&P 500 (-0.7%), the Global Dow and the Dow (-0.6%) also dropped lower, while the yield on 10-year Treasuries added 7.5 basis points, closing at 3.11% as bond prices slid lower. Crude oil prices jumped \$3.78 to hit \$96.84 per barrel on possible OPEC+ output cuts. The dollar ended the day flat, while gold prices inched higher.

Wall Street saw stocks fall for a third consecutive session last Tuesday. The Nasdaq and the S&P 500 slid to their lowest levels in a month. As more Fed officials continued to echo Fed Chair Jerome Powell's intention to stamp down inflation, investors were preparing for ongoing interest-rate hikes and the potential of a waning economy. The Russell 2000 fell the furthest last Tuesday, closing down 1.5%, followed by the Nasdaq and the S&P 500 (-1.1%), the Dow (-1.0%), and the Global Dow (-0.9%). Crude oil prices fell nearly \$5.00 to hit \$92.16 per barrel amid concerns that a global recession would stunt demand. Ten-year Treasury yields were flat, ending the day where they began at 3.11%. The dollar and gold prices dipped lower.

Stocks rallied for most of the day last Wednesday, only to close the day and the month of August in the red. The Dow dropped 0.9%, while the Global Dow and the S&P 500 declined 0.8%. The Nasdaq (-0.6%) and the Russell 2000 (-0.5%) also dipped lower. Diminishing demand dragged crude oil prices lower, decreasing \$2.64 to \$89.00 per barrel. Yields on 10-year Treasuries added 2.3 basis points to reach 3.13%. The dollar slipped lower, while gold prices lost \$14.60, lagging to \$1,721.70 per ounce.

Wall Street was mixed to begin September. Last Thursday saw the large caps of the Dow (0.5%) and the S&P 500 (0.3%) close higher, while the Nasdaq (-0.3%), the Russell 2000 (-1.2%), and the Global Dow (-1.1%) edged lower. The dollar surged to a record high on speculation that the Fed will raise interest rates 75 basis points at its meeting later in the month. Ten-year Treasury yields vaulted 13.2 basis points, reaching 3.26%. Crude oil prices dropped for the third consecutive session, ending the day around \$86.26 per barrel. Gold prices fell more than \$20.00, slipping to \$1,705.80 per ounce.

Last Friday, the majority of the benchmark indexes listed here dipped lower, with only the Global Dow ticking marginally higher. The Nasdaq slid -1.3%, while the S&P 500 and the Dow dropped 1.1% on the day. The small caps of the Russell 2000 declined 0.7%. Bond prices rose, dragging yields lower. Ten-year Treasury yields fell 7.2 basis points, closing last Friday at 3.19%. Crude oil prices inched up to \$86.87 per barrel. The dollar was relatively flat, while gold prices climbed higher.

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 9/2	Weekly Change	YTD Change
DJIA	36,338.30	32,283.40	31,318.44	-2.99%	-13.81%
Nasdaq	15,644.97	12,141.71	11,630.86	-4.21%	-25.66%
S&P 500	4,766.18	4,057.66	3,924.26	-3.29%	-17.66%
Russell 2000	2,245.31	1,899.84	1,809.75	-4.74%	-19.40%
Global Dow	4,137.63	3,607.69	3,499.31	-3.00%	-15.43%
Fed. Funds target rate	0.00%-0.25%	2.25%-2.50%	2.25%-2.50%	75 bps	225 bps
10-year Treasuries	1.51%	3.03%	3.19%	16 bps	168 bps
US Dollar-DXY	95.64	108.81	109.57	0.70%	14.57%
Crude Oil-CL=F	\$75.44	\$92.91	\$87.19	-6.16%	15.58%
Gold-GC=F	\$1,830.30	\$1,749.90	\$1,721.60	-1.62%	-5.94%

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

- Job gains slowed slightly in August, although they came in on the high side of expectations. According to the latest data from the Bureau of Labor Statistics, there were 315,000 new jobs added last month, down from July's total of 526,000. Nevertheless, total employment has risen 5.8 million over the past 12 months, which is 240,000 higher than its pre-pandemic level in February 2020. In August, job growth occurred in professional and business services, health care, and retail trade. The unemployment rate rose 0.2 percentage point to 3.7%, and the number of unemployed persons increased by 344,000 to 6.0 million. The number of people who permanently lost jobs increased by 188,000 to 1.4 million. The labor force participation rate increased by 0.3 percentage point to 62.4%, 1.0 percentage point below its February 2020 level. The employment-population ratio was little changed at 60.1% in August and remains 1.1 percentage point below its February 2020 value. In August, 6.5% of employed persons teleworked because of the coronavirus pandemic, down from 7.1% in the prior month. However, 1.9 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic — down from 2.2 million in July. In August, average hourly earnings increased by \$0.10 to \$32.36. Average hourly earnings have risen 5.2% over the past 12 months. The average work week decreased by 0.1 hour to 34.5 hours last month. While labor conditions lost some momentum in August, there is still plenty of strength in the overall data, enough to support the Federal Reserve's aggressive policies to curb inflation.
- In July, there were 11.2 million job openings, little changed from the previous month, according to the latest Job Openings and Labor Turnover Summary. Hires and separations in July were 6.4 million and 5.9 million, respectively, also little changed from June's totals. Within separations, the number of quits can serve as a measure of workers' willingness or ability to leave jobs. There were 4.2 million quits in July, relatively unchanged since April 2022.
- The S&P Global US Manufacturing Purchasing Managers' Index™ posted 51.5 in August, down from 52.2 in July. The August reading was the lowest since July 2020. New orders fell for the third consecutive month in August as the impact of rising inflation and economic uncertainty diminished client demand. While employment rose, it did so at the slowest pace since January, as backlogs of work increased only marginally. In an effort to drive sales and pass on some of the moderation in costs, price increases were at the weakest rate in more than a year and a half.
- The national average retail price for regular gasoline was \$3.827 per gallon on August 29, \$0.053 per gallon below the prior week's price but \$0.688 higher than a year ago. Also as of August 29, the East Coast price decreased \$0.044 to \$3.722 per gallon; the Gulf Coast price fell \$0.047 to \$3.356 per gallon; the Midwest price dropped \$0.055 to \$3.675 per gallon; the West Coast price slid \$0.066 to \$4.783 per gallon; and the Rocky Mountain price fell \$0.132 to \$4.020 per gallon. Residential heating oil prices averaged \$4.008 per gallon on August 26, about \$0.307 per gallon more than the prior week's price. According to the U.S. Energy Information Administration report of August 31, the retail price for regular gasoline averaged \$3.83 per gallon on August 29, the Monday before the Labor Day weekend. This is an increase of \$0.69 per gallon from the same time in 2021. Retail gasoline prices have fallen every week since June 13. Nevertheless, retail gasoline prices ahead of Labor Day were the highest since



2014.

- For the week ended August 27, there were 232,000 new claims for unemployment insurance, a decrease of 5,000 from the previous week's level, which was revised down by 6,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended August 20 was 1.0%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended August 20 was 1,438,000, an increase of 26,000 from the previous week's level, which was revised down by 3,000. States and territories with the highest insured unemployment rates for the week ended August 13 were New Jersey (2.2%), Puerto Rico (2.0%), Connecticut (1.9%), California (1.8%), Rhode Island (1.8%), New York (1.6%), Massachusetts (1.5%), Pennsylvania (1.5%), Alaska (1.2%), Illinois (1.2%), Oregon (1.2%), and Nevada (1.2%). The largest increases in initial claims for the week ended August 20 were in Arkansas (+451), Illinois (+428), Connecticut (+390), New York (+336), and Rhode Island (+219), while the largest decreases were in California (-2,130), New Jersey (-1,400), Indiana (-1,263), Oklahoma (-1,174), and Michigan (-714).

Eye on the Week Ahead

Labor Day week has a dearth of major economic data available. Aside from the trade deficit report, which is for July, and the services purchasing managers' index, there is little else available. Trading should also be light this holiday-shortened week.

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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