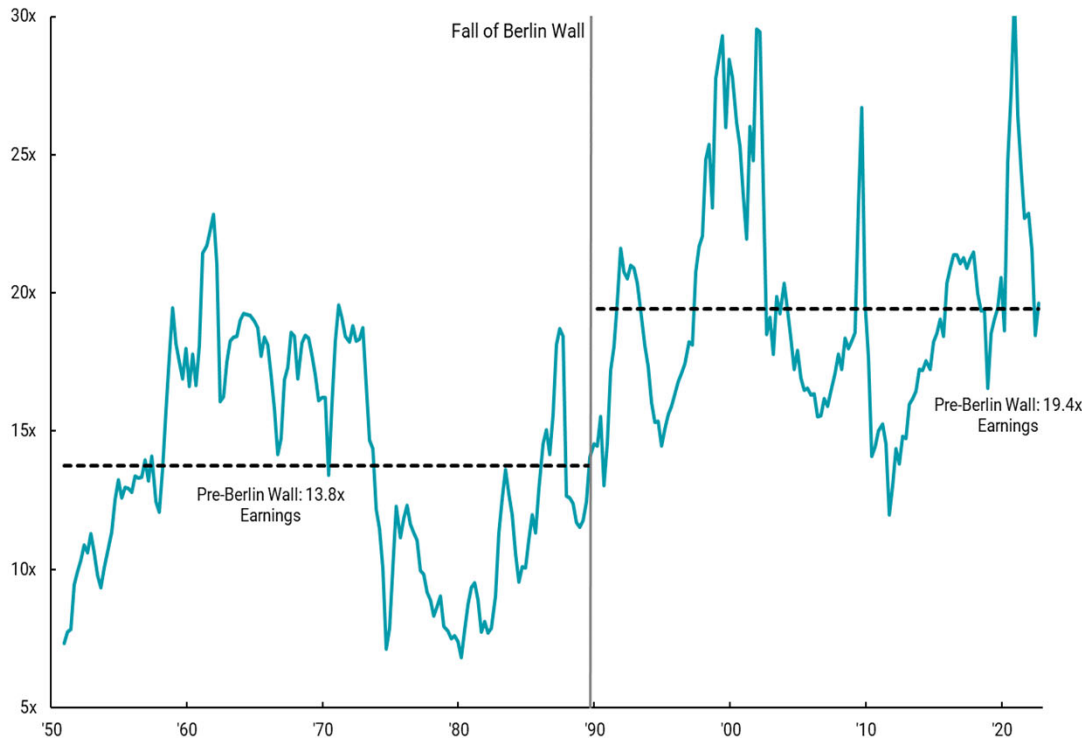


# Weekly market update



## Chart of the week (Sept. 30, 2022)

S&P 500 TTM P/E  
with Long-Term Average



As the Berlin Wall fell, the world economy embarked on a decades-long process of globalization. This period was marked by a new era in which capital could be deployed over a much broader part of the globe as companies sought to reduce costs and maximize profits.

The ability of companies to lower costs meant prices and inflation were lower and more stable, and political divisiveness declined as more countries became part of a global economy. This week's chart illustrates how, on average, better profit margins and lower inflation led to a period of higher multiples on company earnings.

The recent actions of Russia in Ukraine, along with the impact of COVID -19 on production and distribution channels in China, may serve as a watershed moment in the reversal of this multi-decade movement. We may be seeing a move towards de-globalization as tensions between countries increase and the risks of supply chain disruptions go higher.

Importantly, this trend will not happen overnight and is not all bad. Globalization, for all its benefits, was not all good. In the U.S., we offshored millions of jobs as labor costs were lower overseas. The opportunity to bring some of those jobs back may impact inflation, but higher-paying jobs would be a welcome development longer-term. For domestic equity markets, this could mean a generally lower multiple on earnings. Still, one can see a high degree of variability around this average, meaning periods of positive stock returns will remain.

Higher interest rates allow investors to generate additional cash flows while imparting some measure of capital discipline on companies. A move towards a less global economy will add to this trend.

# Weekly market update



## Commentary (Sept. 30, 2022)

### Domestic Equities

- U.S. stocks began the 3rd quarter of 2022 with a summer rally, which cut year-to-date losses in half by mid-August, but then declined sharply to new year-to-date lows by the end of September.
- The negative turn-around came with mounting evidence that inflation is persistent. In August, Fed Chair Powell vowed to fight inflation even at the expense of economic growth, turning sentiment decidedly bearish.
- In the year's first half, value fell about half as much as growth. High-tech names trading at extremely high valuations took the largest hit. These same stocks were the quickest to recover in the summer rally, and during the third quarter, overall growth outperformed value.
- Some of the hardest hit names in the quarter were FedEx, which warned of a sharp drop in deliveries, and Nike, which reported a surge in inventories that must be marked down.

### Bonds

- The ICE BofA Move Index, which tracks volatility in the U.S. fixed income market, reached its highest level since March 2020, with investors fearing systemic risks from the unprecedented sell-off in U.K.'s currency and sovereign bond markets.
- The Bank of England (BoE) stepped into the market to stem the sell-off in British bonds and resulting stress faced by U.K. pension funds, with the central bank pledging to buy approximately £65 billion of long-dated gilts. The People's Bank of China was also forced to step up its defense of the Yuan by imposing a 20% risk reserve requirement on bank FX forward sales to clients and by setting a stronger than expected daily reference rate.
- U.S. Treasury yields and credit/mortgage spreads were higher for the week but gave back much of the gains following the BoE's decision to enter the market.

### International Equities

- Global investor sentiment remains fragile, as anxiety is increasing over slowing economic growth amid aggressive monetary policy tightening worldwide.
- Foreign developed markets fell for the third consecutive week, with losses seen across most Pacific and European markets. European markets continue to face headwinds as Eurozone inflation hit 10% in September. The data will likely prompt the European Central Bank to raise interest rates that threaten to push the region into a recession.
- Emerging markets fell for the fifth consecutive week as most markets across Eastern Europe, Latin America and Asia weakened. South Korean stocks fell and continue to buckle under the pressure of a stronger U.S. dollar as the country's exports have started to decline due to softening economic growth.

### Economics

- The Bureau of Economic Analysis (BEA) reported personal income rose 0.3% at a seasonally adjusted annual rate (SAAR) in August as wages increased, primarily in service industries. The savings rate was unchanged at 3.5%.
- The BEA also reported consumer spending increased 0.4% in August as a SAAR. The increase was concentrated in services, which increased by \$97 billion, while spending on goods declined by \$29 billion.
- Initial claims for unemployment insurance declined to 193k (-16k) for the week ending September 24. Continuing claims were 1.3m (-29k) for the week ending September 17.
- JOLTS data will be released on Tuesday, and the September jobs report will be released on Friday.

## Weekly Market Update

For Week Ending September 30, 2022

### Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
<b>Capital Markets</b>				
Dow Jones Industrial Avg	28,725.51	-2.9%	-19.7%	-13.4%
S&P 500 Index	3,585.62	-2.9%	-23.9%	-15.5%
NASDAQ	10,575.62	-2.7%	-32.0%	-26.2%
S&P 400 Midcap Index	2,203.53	-1.5%	-21.5%	-15.3%
S&P 600 Smallcap Index	1,064.95	-1.4%	-23.2%	-18.9%
MSCI EAFE	5,610.45	-1.3%	-26.7%	-24.7%
MSCI Emerging Markets	443.07	-3.3%	-27.0%	-27.9%
Bloomberg US Agg	2,011.06	-1.0%	-14.6%	-14.6%
Bloomberg Municipal 5 Yr	454.80	-0.6%	-8.1%	-8.0%
Bloomberg US Corporate	2,864.12	-1.9%	-18.7%	-18.5%
Bloomberg Gbl Agg ex US Hdg	520.51	-0.6%	-9.9%	-9.9%
Bloomberg High Yield	2,098.50	-1.4%	-14.7%	-14.1%
MSCI US REIT Index	1,825.17	-3.7%	-28.9%	-17.5%
Bloomberg Commodity Index	240.55	-0.7%	13.6%	11.8%

### Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	3.25%	3.25%	0.25%	0.25%
3-Month Treasury	3.25%	3.18%	0.06%	0.03%
1-Year Treasury	3.93%	4.06%	0.39%	0.07%
2-Year Treasury	4.28%	4.20%	0.73%	0.28%
5-Year Treasury	4.09%	3.98%	1.26%	0.96%
7-Year Treasury	3.98%	3.86%	1.44%	1.29%
10-Year Treasury	3.83%	3.68%	1.52%	1.49%
30-Year Treasury	3.78%	3.61%	1.90%	2.04%

### Consumer Rates

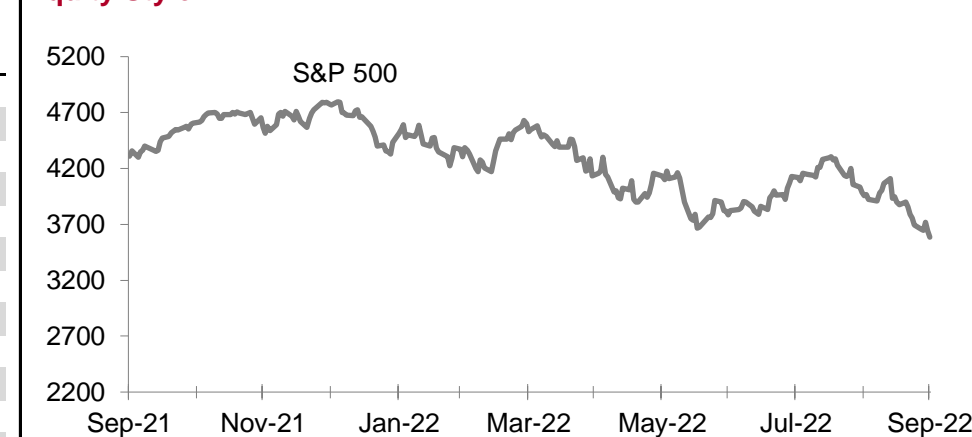
1-Year CD	4.83%	4.89%	0.57%	0.22%
30-Year Mortgage	7.06%	6.59%	3.27%	3.18%
Prime Rate	6.25%	6.25%	3.25%	3.25%
3-Month LIBOR	3.75%	3.63%	0.21%	0.13%

### Commodities

Gold	1,660.61	1,643.94	1,829.20	1,756.95
Crude Oil (WTI)	79.49	78.74	72.78	68.20
Gasoline	3.83	3.77	3.38	3.27
Natural Gas	6.77	6.99	3.64	3.99
Copper	3.41	3.34	4.43	4.03

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
<b>Index Characteristics</b>				
Dow Jones Industrial Avg	15.41	15.84	3.85	2.39
S&P 500	16.01	17.58	3.61	1.81
S&P 500 Value	13.68	15.09	2.53	2.55
S&P 500 Growth	19.55	21.30	6.55	1.03
NASDAQ	13.55	14.48	3.34	2.34
S&P Midcap 400	11.88	13.27	2.04	1.91
S&P Smallcap 600	11.66	13.02	1.62	1.63
MSCI EAFE	11.14	11.54	1.39	3.77
MSCI Emerging Markets	10.61	9.80	1.31	3.61

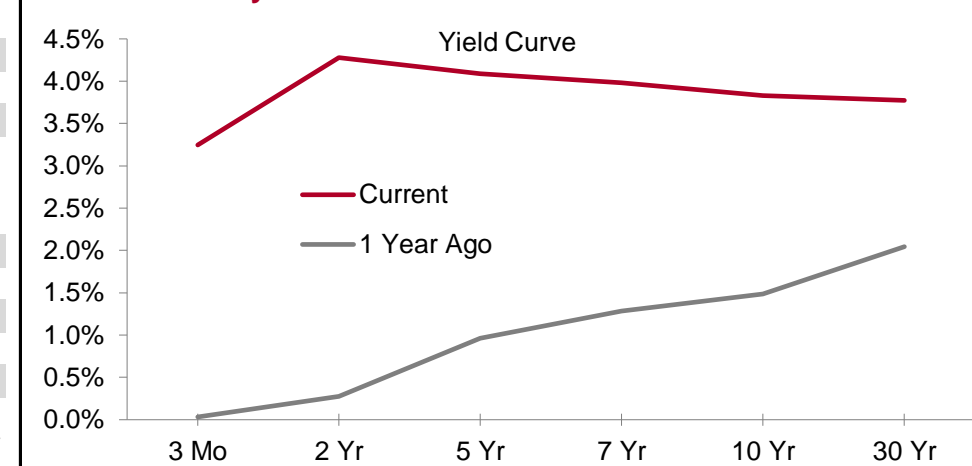
### Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	-8.48	-9.22	-9.98	> 10%	-16.59	-23.88	-30.42
Mid	-9.51	-9.19	-8.84	0% - 10%	-17.51	-21.54	-25.51
Small	-10.43	-9.88	-9.26	< 0%	-20.00	-23.19	-26.26

\*S&P Indices

### Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	-1.18	-2.37	-7.89	> 10%	-4.52	-8.65	-28.77
Corp	-1.41	-5.47	-8.74	0% - 10%	-4.65	-18.97	-29.43
HY	-1.73	-3.87	-6.60	< 0%	-6.61	-14.11	-25.52

\*Bloomberg Barclays Indices.

### Economic Data

	Last Release	Year Ago
<b>Inflation</b>		
CPI Headline Inflation	8.3%	5.3%
CPI Core Inflation	6.3%	4.0%
Personal Consumption Exp (PCE) Core	4.9%	3.9%
<b>Jobs</b>		
Unemployment Rate (U3)	3.7%	5.2%
Broader Unemployment Rate (U6)	7.0%	8.8%
JOLT Survey (in millions)	11.24	10.78
Jobless Claims (000's)	193	376
Change in Non-Farm Payroll (000's)	315	517
Average Hourly Earnings (Y/Y % Change)	5.2%	4.3%
<b>Consumer &amp; Spending</b>		
Consumer Confidence (Conf Board)	108.0	109.8
Consumer Spending (\$ Bil)	17,470	16,146
Consumer Credit (\$ Bil)	4,644	4,313
Retail Sales (\$ Bil)	683	626
<b>Housing</b>		
Housing Starts (000's)	1,575	1,576
Case-Shiller Home Price Index	307.45	265.57
<b>U.S. Productivity</b>		
Real Gross Domestic Product (\$ Bil)	19,895	19,544
Quarter over Quarter Change	-0.6%	7.0%
Year Over Year Change	1.8%	12.5%
ISM Manufacturing	52.80	59.70
Capacity Utilization	79.96	78.23
Markit US Composite PMI	49.30	55.00
<b>U.S. General</b>		
Leading Economic Indicators	116.2	117.4
Trade Weighted Dollar Index	126.3	114.7
EUR / USD	0.98	1.16
JPY / USD	144.46	111.29
CAD / USD	0.72	0.79
AUD / USD	0.64	0.72

### S&P 500 Sector Returns

	1 Month	YTD
Energy	-9.45%	34.49%
Utilities	-11.34%	-6.51%
Consumer Staples	-7.99%	-11.83%
Health Care	-2.60%	-13.08%
Industrials	-10.48%	-20.72%
Financials	-7.76%	-21.25%
Materials	-9.35%	-23.75%
Real Estate	-13.15%	-28.93%
Consumer Discretionary	-8.06%	-29.89%
Information Technology	-12.01%	-31.44%
Communication Services	-12.15%	-39.04%

Source: Bloomberg

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