Weekly update

Stocks slip on somber outlook

April 15, 2022

The economy

- U.S. equity markets retreated during the week ending April 15 on persistent concerns about higher interest rates, red-hot inflation, and the war in Ukraine. Markets are expected to remain choppy as the Federal Reserve prepares to hike interest rates again as soon as May.
- U.S. inflation expanded by 8.5% year over year in March—the largest annualized increase since 198—as measured by the Department of Labor's (DOL) consumer-price index. Robust demand compounded with pandemic-related supply constraints drove prices higher and the cost of gasoline and food surged during the period. Core inflation (which excludes volatile food and energy prices) accelerated by 6.5% over the same period. U.S. Treasury Secretary Janet Yellen forewarned Americans to expect another year of "very uncomfortably high" inflation.
- Consumer optimism improved from 59.7 in March to a three-month high of 65.7 in April, as measured by the University of Michigan's consumer sentiment survey. The robust improvement as driven by continued consumer beliefs of rising wages and a strengthening economy despites headwinds posed by the Ukraine-Russia conflict and intensifying inflationary pressures (which translate to higher prices).
- Producer prices advanced by 1.4% in March, according to the Department of Labor—a signal that red-hot inflation may further escalate. Costs for businesses surged by 11.2% year over year as the U.S. economy strengthened amid easing lockdown restrictions and surging demand for goods and services. Persistent supply-chain disruptions and materials shortages also pushed up prices.
- A significant jump in fuel and food prices, along with shortages in key materials, caused total-import prices to accelerate by 12.5% year over year. Export prices grew by 18.8% year over year on rising agricultural and nonagricultural costs.
- U.S. retail sales (which include purchases at stores, restaurants and online) inched up 0.5% in March. Record-high inflation has challenged retail sales in recent months as U.S. consumer prices have expanded at the fastest pace in about 40 years.
- U.S. industrial production rose by 0.9% in March on mounting demand as the latest wave of COVID-19 faded. In the same period, capacity utilization (which reflects the operating limits of U.S. factories, mines and utilities) increased to 78.3% (a reading of less than 100% indicates that a company is producing less-than-full potential).
- Mortgage-purchase applications increased by 1.0% for the week ending April 8, while refinancing applications fell by 5.0%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 4.72% to 5.00%.
- The rate of initial jobless claims increased to 185,000 from 167,000 during the week ending April 9. Ongoing progress within labor markets suggested that the Omicron variant has loosened its grip on jobs.

Stocks

- Global equities closed lower for the week. Emerging markets fared better than developed markets.
- U.S. equities were in negative territory. Materials and industrials were the top performers, while information technology and telecommunications lagged. Value stocks led growth stocks and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield increased to 2.83% during the week.
- Global bond markets were in negative territory this week.
- High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of April 15, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.6%	-8.5%	-1.6%	690.7
MSCI EAFE ($)	-1.0%	-9.3%	-7.3%	2118.5
MSCI Emerging Mkts ($)	-0.9%	-9.3%	-16.7%	1117.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.8%	-5.2%	1.2%	34451.2
S&P 500 ($)	-2.1%	-7.8%	5.3%	4392.6
NASDAQ ($)	-2.6%	-14.7%	-4.9%	13351.1
S&P/ TSX Composite (C$)	-0.1%	3.0%	13.1%	21855.7
UK & European Equities				
FTSE All-Share (£)	-0.6%	0.6%	6.1%	4232.1
MSCI Europe ex UK (€)	-0.5%	-8.8%	0.7%	1586.3
Asian Equities				
Topix (¥)	0.0%	-4.8%	-3.2%	1896.3
Hong Kong Hang Seng ($)	-1.6%	-8.0%	-25.3%	21518.1
MSCI Asia Pac. Ex-Japan ($)	-0.8%	-8.1%	-16.4%	579.0
Latin American Equities				
MSCI EMF Latin America ($)	-1.6%	21.5%	8.1%	2588.7
Mexican Bolsa (peso)	-0.9%	1.7%	11.7%	54172.6
Brazilian Bovespa (real)	-1.8%	10.8%	-3.7%	116181.6
Commodities ($)				
West Texas Intermediate Spot	8.8%	38.9%	68.5%	107.0
Gold Spot Price	1.7%	8.1%	11.7%	1974.8
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.9%	-9.2%	-10.7%	483.5
JPMorgan Emerging Mkt Bond	-1.0%	-11.9%	-10.7%	809.9
10-Year Yield Change (basis points*)				
US Treasury	12	132	125	2.83%
UK Gilt	14	92	115	1.89%
German Bund	14	102	113	0.84%
Japan Govt Bond	1	17	15	0.24%
Canada Govt Bond	13	134	129	2.76%
Currency Returns**				
US$ per euro	-0.6%	-5.0%	-9.7%	1.081
Yen per US$	1.6%	9.8%	16.2%	126.39
US$ per £	0.3%	-3.5%	-5.3%	1.306
C$ per US$	0.3%	-0.2%	0.5%	1.261

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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