Weekly update
Higher rates trigger trouble on the home(s)front

April 22, 2022

The economy

- The outlook for single-family homes slumped in April following months of robust demand and improved supply, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Builders expect headwinds caused by rising material prices in the coming months, as a combination of increased building expenses, labor shortages and higher mortgage rates foretell a decline in housing affordability in 2022.
- Existing-home sales decreased in March to an annualized pace of 5.7 million after jumping by 5.9 million in the prior month. The buying frenzy is expected to continue to moderate in the coming months as mortgage rates and home prices rise and building materials shortages continue.
- Mortgage-purchase applications decreased by 3.0% for the week ending April 8, while refinancing applications fell by 8.0%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 5.00% to 5.11%.
- U.S. economic health advanced by 0.3% in March (as measured by the Conference Board's leading economic index, a composite of 10 forward-looking components). A leading indicator is an economic factor that shifts before the rest of the economy begins to move in a particular direction. The reading signaled that economic growth is likely to continue through 2022 despite volatility and persistent headwinds. Supply-chain disruptions and inflation fears pose headwinds for the economic outlook.
- Preliminary estimates of U.S. manufacturing activity—which accounts for around 12% of the national economy—reached a seven-month high in April, increasing from 58.8 in March to 59.7, according to S&P Global's manufacturing purchasing managers' index (PMI). The report indicated a strong but slower rise in business activity as demand continued to ramp up.
- Activity in the U.S. services sector appears to be decelerating, according to preliminary estimates from S&P Global's U.S. services PMI, which slipped to 54.7 in April from 58.0 in March. New orders remained strong on continued consumer demand, but the pace of expansion slid to a three-month low on labor and supply shortages and rising inflation. Hiring also presented a challenge for U.S. service providers.
- The rate of initial jobless claims fell to 184,000 from 186,000 during the week ending April 16. Ongoing progress within labor markets suggested that the Omicron variant has loosened its grip on jobs. Continuing jobless claims hit their lowest reading since 1970 for the week ending April 8.

Stocks

- Global equities closed lower for the week. Developed markets fared better than emerging markets.
- U.S. equities were in negative territory. Consumer staples and industrials were the top performers, while telecommunications and energy lagged. Value stocks led growth stocks and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield increased to 2.90% 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 22, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.3%	-8.8%	-1.4%	688.5
MSCI EAFE ($)	0.5%	-9.0%	-7.1%	2126.6
MSCI Emerging Mkts ($)	-2.3%	-11.8%	-19.0%	1086.9
US & Canadian Equities				
Dow Jones Industrials ($)	-1.9%	-7.0%	0.0%	33811.4
S&P 500 ($)	-2.8%	-10.4%	3.3%	4271.8
NASDAQ ($)	-3.8%	-17.9%	-7.1%	12839.3
S&P/ TSX Composite (C$)	-3.1%	-0.2%	11.3%	21186.4
UK & European Equities				
FTSE All-Share (£)	-1.2%	-0.7%	5.4%	4180.7
MSCI Europe ex UK (€)	0.9%	-8.0%	1.2%	1601.1
Asian Equities				
Topix (¥)	0.5%	-4.4%	-0.9%	1905.2
Hong Kong Hang Seng ($)	-4.1%	-11.8%	-28.2%	20638.5
MSCI Asia Pac. Ex-Japan ($)	-1.9%	-10.1%	-18.3%	565.9
Latin American Equities				
MSCI EMF Latin America ($)	-0.7%	20.7%	7.1%	2571.1
Mexican Bolsa (peso)	-1.8%	-0.2%	8.4%	53191.8
Brazilian Bovespa (real)	-4.4%	6.0%	-6.9%	111077.5
Commodities ($)				
West Texas Intermediate Spot	-3.6%	33.9%	67.7%	103.1
Gold Spot Price	-1.9%	6.0%	8.7%	1936.6
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.8%	-10.0%	-11.7%	479.4
JPMorgan Emerging Mkt Bond	-1.0%	-12.8%	-11.7%	802.2
10-Year Yield Change (basis points*)				
US Treasury	7	139	136	2.90%
UK Gilt	7	99	122	1.96%
German Bund	13	115	122	0.97%
Japan Govt Bond	1	18	18	0.25%
Canada Govt Bond	11	144	135	2.87%
Currency Returns**				
US$ per euro	-0.1%	-5.0%	-10.1%	1.080
Yen per US$	1.6%	11.7%	19.0%	128.53
US$ per £	-1.7%	-5.2%	-7.3%	1.283
C$ per US$	0.8%	0.6%	1.6%	1.271

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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