

### The economy

- U.S. equity markets retreated during the week ending May 13—flirting near bear market territory for the S&P 500 Index amid increased market uncertainty.
- Inflation represents the single largest threat to the U.S. economic recovery. Consumer spending—which drives 70% of U.S. economic activity—has been squeezed by galloping inflation, restraining household budgets.
- U.S. inflation expanded by 8.3% year over year in April—hovering near a 40-year high—as measured by the Department of Labor’s consumer-price index. Robust demand compounded with pandemic-related supply constraints drove prices higher, and the cost of food surged during the period. Core inflation (which excludes volatile food and energy prices) accelerated by 6.2% over the same period.
- Federal Reserve Chairman Jerome Powell forewarned that alongside the war in Ukraine, China’s economic woes could aggravate inflationary pressures in the U.S. if it prevents the healing of supply chains.
- Consumer optimism tumbled from 65.2 in April to a ten-year low of 59.1 in May, as measured by the University of Michigan’s consumer sentiment survey. The deterioration in optimism was attributed to economic uncertainty posed by the Ukraine-Russia conflict and intensifying inflationary pressures (which translate to higher prices).
- Producer prices advanced by 0.5% in April, according to the Department of Labor. Costs for businesses surged by 11.0% 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 12.0% year over year. Export prices grew by 18.0% year over year on rising agricultural and nonagricultural costs.
- Mortgage-purchase applications grew by 4.5% for the week ending May 6, while refinancing applications receded by 2.0%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising rapidly in recent weeks, ticked up from 5.27% to 5.30%.
- The rate of initial jobless claims increased modestly to 203,000 from 202,000 during the week ending May 7. Ongoing progress within labor markets suggested that the Omicron variant has loosened its grip on jobs. The U.S. jobs market remains on sturdy footing. The U.S. economy added 428,000 jobs in April.

### Stocks

- Global equities closed lower for the week on freshly stoked concerns of an impending economic slowdown. Developed markets fared better than emerging markets.
- U.S. equities were in negative territory. Consumer staples and telecommunications were the top performers, while information technology and financials lagged. Value stocks led growth stocks and large caps beat small caps.

### Bonds

- Global bond markets were in positive territory this week.
- Global government bonds led, followed by global corporate bonds and high-yield bonds.
- The 10-year Treasury bond yield decreased to 2.94% during the week.

The Numbers as of May 13, 2022	1 Week	YTD	1 Year	Friday's Close
<b>Global Equity Indexes</b>				
MSCI ACWI (\$)	-4.4%	-18.5%	-10.6%	615.3
MSCI EAFE (\$)	-3.2%	-18.3%	-15.3%	1909.4
MSCI Emerging Mkts (\$)	-4.2%	-19.8%	-23.6%	987.8
<b>US &amp; Canadian Equities</b>				
Dow Jones Industrials (\$)	-2.1%	-11.4%	-5.4%	32196.7
S&P 500 (\$)	-2.4%	-15.6%	-2.2%	4023.9
NASDAQ (\$)	-2.8%	-24.5%	-10.1%	11805.0
S&P/ TSX Composite (C\$)	-2.6%	-5.3%	5.0%	20092.3
<b>UK &amp; European Equities</b>				
FTSE All-Share (£)	0.4%	-2.6%	3.4%	4099.1
MSCI Europe ex UK (€)	-1.3%	-15.0%	-5.3%	1478.6
<b>Asian Equities</b>				
Topix (¥)	-2.7%	-6.4%	0.8%	1864.2
Hong Kong Hang Seng (\$)	-0.5%	-15.0%	-28.2%	19898.8
MSCI Asia Pac. Ex-Japan (\$)	-4.5%	-18.6%	-22.9%	512.6
<b>Latin American Equities</b>				
MSCI EMF Latin America (\$)	-1.3%	3.7%	-10.3%	2209.4
Mexican Bolsa (peso)	0.2%	-6.9%	1.6%	49620.8
Brazilian Bovespa (real)	1.9%	2.2%	-11.2%	107160.5
<b>Commodities (\$)</b>				
West Texas Intermediate Spo	0.7%	43.5%	73.1%	110.5
Gold Spot Price	-4.1%	-0.8%	-0.8%	1811.3
<b>Global Bond Indices (\$)</b>				
Barclays Global Aggregate (\$)	0.7%	-11.8%	-13.0%	469.6
JPMorgan Emerging Mkt Bond	-0.3%	-15.7%	-14.5%	775.0
<b>10-Year Yield Change (basis points*)</b>				
US Treasury	-20	142	128	2.94%
UK Gilt	-25	77	85	1.74%
German Bund	-19	113	107	0.94%
Japan Govt Bond	0	18	15	0.25%
Canada Govt Bond	-17	153	139	2.96%
<b>Currency Returns**</b>				
US\$ per euro	-1.4%	-8.5%	-13.9%	1.040
Yen per US\$	-0.9%	12.4%	18.2%	129.34
US\$ per £	-0.8%	-9.5%	-12.9%	1.224
C\$ per US\$	0.4%	2.3%	6.3%	1.293

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.

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