Weekly update
Bears go back into hibernation
May 27, 2022

The economy

- U.S. economic growth contracted by a weaker-than-expected 1.5% annualized rate during the first quarter of 2022 (as measured by gross domestic product, or GDP). The biggest driver of the decline was the soaring U.S. trade deficit, followed by significant deceleration in private inventory and government spending, record-high inflation, labor shortages, and demand shortfalls. However, consumer spending (which drives nearly 70% of U.S. economic activity) advanced by a healthy 3.1%, while business fixed investment rose by 9.2%. Many economists wrote off the report as simply “noise” in the continued economic recovery rather than a warning signal for an impending recession.
- U.S. equities charged higher during the week ending May 27 despite lingering concerns about inflation and geopolitical and economic headwinds. Mega-cap technology stocks, which have largely sold off in recent weeks, rebounded and helped buoy equity markets.
- Federal Reserve officials announced that inflation risks outweigh the possibility of a growth slowdown amid the war in Ukraine and other economic uncertainties. Citing a highly uncertain economic outlook, the central bank noted that policy decisions will be data-dependent and focused on returning inflation to the Fed’s 2.0% target while supporting a strong labor market.
- Preliminary estimates of U.S. manufacturing activity—which accounts for around 12% of the national economy—decreased from 59.7 in April to 57.5 in May, according to S&P Global’s manufacturing purchasing managers’ index (PMI). The report indicated strong (but slower) growth 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 53.5 in May from 54.7 in April. New orders remained strong thanks to continued consumer demand, but the pace of expansion slid to a three-month low on labor and supply shortages and rising inflation. Hiring also challenged U.S. service providers.
- New-home sales dropped in April to an annualized pace of 591,000 from 709,000 in March. The buying frenzy is expected to cool off in the coming months due to rising mortgage rates and home prices, as well as supply shortages in building materials.
- Durable-goods orders grew by 0.4% in April as factory conditions improved and supply-chain constraints (shortages in labor and materials) eased during the month despite the ongoing conflict between Russia and Ukraine. New orders for core capital goods (a closely-watched proxy for business investment) increased by a modest 0.3%.
- Mortgage-purchase applications inched higher by 0.2% for the week ending May 20, while refinancing applications fell by 3.9%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, moderated from 5.25% to 5.10%.

Stocks

- Global equities closed higher for the week. Developed markets fared better than emerging markets.
- U.S. equities were in positive territory. Energy and financials were the top performers, while health care and telecommunications lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield decreased to 2.74% during the week.
- Global bond markets were in positive territory this week.
- High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of May 27, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.8%	-15.3%	-9.8%	639.3
MSCI EAFE ($)	2.1%	-13.9%	-13.5%	2010.5
MSCI Emerging Mkts ($)	-1.2%	-17.0%	-24.5%	1023.0
US & Canadian Equities				
Dow Jones Industrials ($)	5.9%	-8.9%	-3.9%	33117.5
S&P 500 ($)	6.4%	-12.9%	-1.2%	4150.0
NASDAQ ($)	6.4%	-22.8%	-12.1%	12079.1
S&P/ TSX Composite (C$)	2.8%	-2.2%	5.0%	20766.4
UK & European Equities				
FTSE All-Share (£)	2.6%	-0.4%	4.4%	4190.2
MSCI Europe ex UK (€)	1.6%	-13.0%	-5.3%	1514.9
Asian Equities				
Topix (¥)	0.5%	-5.3%	-1.2%	1887.3
Hong Kong Hang Seng ($)	-0.1%	-11.5%	-28.9%	20697.4
MSCI Asia Pac. Ex-Japan ($)	-1.6%	-15.6%	-23.6%	531.3
Latin American Equities				
MSCI EMF Latin America ($)	3.2%	15.2%	-1.8%	2452.7
Mexican Bolsa (peso)	1.8%	-1.5%	5.7%	52452.4
Brazilian Bovespa (real)	3.2%	6.8%	-10.0%	111966.0
Commodities ($)				
West Texas Intermediate Spot	1.6%	49.5%	72.1%	115.1
Gold Spot Price	0.6%	1.5%	-2.0%	1853.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.7%	-10.7%	-12.7%	475.4
JPMorgan Emerging Mkt Bond	1.9%	-14.2%	-13.8%	788.8
10-Year Yield Change (basis points*)				
US Treasury	-4	123	113	2.74%
UK Gilt	2	95	111	1.92%
German Bund	2	114	113	0.96%
Japan Govt Bond	-1	16	15	0.23%
Canada Govt Bond	-5	136	130	2.79%
Currency Returns**				
US$ per euro	1.6%	-5.6%	-12.0%	1.073
Yen per US$	-0.6%	10.4%	15.7%	127.08
US$ per £	1.2%	-6.7%	-11.1%	1.263
C$ per US$	-0.9%	0.7%	5.4%	1.272

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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