Weekly update
U.S. equities uneasy on inflation and rates
June 3, 2022

The economy

- U.S. equity markets retreated during the week ending June 3 on concerns of looming recession, higher interest rates, and red-hot inflation which, taken together, investors fear will lead to an economic slowdown.
- A better-than-expected May employment report—which showed the U.S. economy added 390,000 jobs during the month—intensified stock-market jitters as it reaffirmed the Federal Reserve's aggressive interest-rate hike plans. The central bank is on track to hike rates again by 50 basis points at its June meeting.
- U.S. home prices rose by 1.5% in March and by 20.6% year over year on robust demand, according to the S&P CoreLogic Case-Schiller National Home Price Index. Prices remained around 46% higher than their previous peak during the housing boom in 2006.
- U.S. manufacturing activity (which accounts for about 12% of the economy) lost momentum in May, shrinking to 57.0 from 59.2 in April, as measured by Markit's manufacturing purchasing managers' index (PMI). The sector has been challenged by supply-chain disruptions and a shortage of factory workers in recent months. A similar report from The Institute for Supply Management (ISM) showed strength in manufacturing activity, moving from 55.4 to 56.1 over the same period.
- Construction spending advanced by a tepid 0.2% in April. Spending on single-family homebuilding accelerated by 0.5%, while nonresidential construction spending declined by 0.2%. Higher materials prices— especially framing lumber—remains a challenge for homebuilders.
- The number of U.S. job openings (a measure of labor demand) cooled from a record-high 11.85 million in March to 11.40 million in April, according to the Department of Labor. The quits rate—which measures employees who leave jobs of their own accord and generally widens as the economy improves—hovered near historic highs during the month, signaling worker confidence in finding new jobs.
- Motor vehicle sales recorded a 12.7 million annualized increase in April. Automobile manufacturing hit a bump in the road due to the persistent global semiconductor shortage. However, automakers expressed confidence in a more favorable environment for production in 2022.
- The U.S. Census Bureau reported that new factory orders gained by 0.3% in April on the strength of motor vehicles, machinery, and appliances orders.
- Mortgage-purchase applications fell by 0.6% for the week ending May 27, while refinancing applications fell by 5.4%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, moderated from 5.10% to 5.09%.

Stocks

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

Bonds

- The 10-year Treasury bond yield increased to 2.94% 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 June 3, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.6%	-13.0%	-7.7%	656.4
MSCI EAFE ($)	-0.2%	-13.0%	-13.3%	2032.5
MSCI Emerging Mkts ($)	1.8%	-13.8%	-23.3%	1061.4
US & Canadian Equities				
Dow Jones Industrials ($)	-0.9%	-9.5%	-4.9%	32898.9
S&P 500 ($)	-1.3%	-13.9%	-2.1%	4105.8
NASDAQ ($)	-1.0%	-23.2%	-11.8%	12012.7
S&P/ TSX Composite (C$)	0.1%	-2.1%	4.2%	20772.0
UK & European Equities				
FTSE All-Share (£)	-0.6%	-1.0%	3.1%	4164.0
MSCI Europe ex UK (€)	-0.3%	-11.9%	-5.2%	1533.7
Asian Equities				
Topix (¥)	2.4%	-3.0%	-1.3%	1933.1
Hong Kong Hang Seng ($)	1.9%	-9.9%	-27.2%	21082.1
MSCI Asia Pac. Ex-Japan ($)	1.9%	-12.2%	-21.6%	553.0
Latin American Equities				
MSCI EMF Latin America ($)	-1.0%	15.6%	-7.2%	2461.4
Mexican Bolsa (peso)	-3.5%	-4.9%	0.0%	50651.3
Brazilian Bovespa (real)	-0.7%	6.0%	-14.3%	111128.3
Commodities ($)				
West Texas Intermediate Spot	3.3%	54.4%	72.8%	118.9
Gold Spot Price	-0.1%	1.3%	-1.1%	1851.0
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.1%	-11.5%	-13.2%	471.2
JPMorgan Emerging Mkt Bond	-0.6%	-14.3%	-14.0%	788.1
10-Year Yield Change (basis points*)				
US Treasury	20	143	132	2.94%
UK Gilt	24	119	131	2.15%
German Bund	31	145	145	1.27%
Japan Govt Bond	0	16	15	0.23%
Canada Govt Bond	28	164	155	3.07%
Currency Returns**				
US$ per euro	-0.1%	-5.7%	-11.6%	1.072
Yen per US$	3.0%	13.7%	18.7%	130.86
US$ per £	-1.1%	-7.6%	-11.4%	1.250
C$ per US$	-1.0%	-0.4%	4.0%	1.259

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.