Weekly update
Stocks scorched by red-hot inflation
June 10, 2022

The economy

- U.S. equity markets retreated during the week ending June 10. The S&P 500 Index flirted with bear market territory amid increased market uncertainty and an unexpectedly hot reading of consumer-price inflation.
- Investor optimism weakened during the week due to fears of a looming recession. Historically high inflation represents the single largest threat to U.S. economic growth. Federal Reserve Chairman Jerome Powell forewarned that alongside the war in Ukraine, China's economic woes could aggravate inflation in the U.S. if it prevents the restoration of supply chain functionality.
- U.S. inflation expanded by 8.6% year over year in May—hitting 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 6.0% over the same period.
- Consumer-credit growth moderated from a 20-year high of $47.4 billion in March to a still-high $38.0 billion in April as Americans maintained their robust credit usage. Revolving credit, which includes credit cards, jumped by 19.7%. The report suggests that consumers were more reliant on their credit cards amid higher prices. Non-revolving credit (which includes student and automobile loans) advanced by 7.1%. A higher rate of consumer-price inflation decreased consumer saving rates and financial well-being and, consequently, encouraged spending on credit. The trend is expected to persist as inflation and interest rates continue to rise.
- Consumer optimism tumbled from 58.4 in May to a historic low of 50.2 in June, 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, intensifying inflationary pressures (which translate to higher prices) and rapidly rising interest rates.
- The rate of initial jobless claims increased to 229,000 from 202,000 during the week ending June 4. Ongoing progress within labor markets suggested that the Omicron variant has loosened its grip on jobs. The U.S. jobs market remained on sturdy footing as the U.S. economy added 428,000 jobs in April.
- Mortgage-purchase applications fell by 7.1% for the week ending June 3, while refinancing applications fell by 5.6%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 5.09% to 5.23%.

Stocks

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

Bonds

- The 10-year Treasury bond yield increased to 3.16% 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 10, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.8%	-15.5%	-11.2%	637.8
MSCI EAFE ($)	-1.8%	-14.7%	-15.8%	1992.4
MSCI Emerging Mkts ($)	0.6%	-13.4%	-22.6%	1067.1
US & Canadian Equities				
Dow Jones Industrials ($)	-3.9%	-13.0%	-8.2%	31626.3
S&P 500 ($)	-4.2%	-17.4%	-7.1%	3937.7
NASDAQ ($)	-4.9%	-27.0%	-18.5%	11421.4
S&P/ TSX Composite (C$)	-2.2%	-4.2%	1.4%	20326.4
UK & European Equities				
FTSE All-Share (£)	-2.8%	-3.8%	0.1%	4046.2
MSCI Europe ex UK (€)	-1.5%	-13.4%	-7.7%	1507.8
Asian Equities				
Topix (¥)	0.5%	-2.5%	-0.7%	1943.1
Hong Kong Hang Seng ($)	3.4%	-6.8%	-24.1%	21806.2
MSCI Asia Pac. Ex-Japan ($)	0.5%	-11.7%	-20.9%	556.4
Latin American Equities				
MSCI EMF Latin America ($)	-5.3%	8.4%	-13.3%	2309.8
Mexican Bolsa (peso)	-4.0%	-8.7%	-4.4%	48646.4
Brazilian Bovespa (real)	-4.8%	0.9%	-18.7%	105797.5
Commodities ($)				
West Texas Intermediate Spot	1.5%	56.7%	71.7%	120.7
Gold Spot Price	1.1%	2.5%	-1.2%	1871.8
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.3%	-12.8%	-15.1%	464.5
JPMorgan Emerging Mkt Bond	-1.4%	-15.6%	-16.2%	776.0
10-Year Yield Change (basis points*)				
US Treasury	22	165	172	3.16%
UK Gilt	29	148	170	2.45%
German Bund	24	170	177	1.51%
Japan Govt Bond	2	18	20	0.25%
Canada Govt Bond	29	193	198	3.35%
Currency Returns**				
US$ per euro	-1.8%	-7.4%	-13.5%	1.052
Yen per US$	2.7%	16.8%	22.9%	134.37
US$ per £	-1.4%	-9.0%	-13.1%	1.232
C$ per US$	1.3%	1.0%	5.5%	1.276

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.