Weekly update
Historic hike hampers U.S. stocks
June 17, 2022

The economy

- U.S. equity markets slumped into bear-market territory during the week ending June 17 as investors sold off riskier assets on concerns of looming recession, higher interest rates, and surging inflation.
- The Federal Reserve delivered a 75-basis point interest-rate hike—the first increase of that magnitude since 1994. The unusually fast hiking cycle caused bond yields to spike as stock prices sank.
- U.S. producer prices advanced by 0.8% in May, according to the Department of Labor. Costs for businesses surged by 10.8% year over year amid continued demand for goods and services. Persistent supply-chain disruptions and materials shortages further pushed up prices.
- Record-high inflation caused U.S. retail sales (which include purchases at stores, restaurants, and online) to tumble for the first time in five months. The reading fell by 0.3% in May as consumers sharply cut back spending on furniture and electronics.
- U.S. economic health deteriorated by 0.4% in May (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 a likely deceleration of economic growth due to rising inflation, which is the single largest threat to the U.S. economic recovery and has thwarted consumer spending.
- A significant jump in fuel and food prices, along with shortages in key materials, caused total-import prices to accelerate by 11.7% year over year. Export prices grew by 18.9% year over year on rising agricultural and nonagricultural costs.
- The outlook for single-family homes slumped in June following months of robust demand and improved supply, according to the National Association of Home Builders/Wells Fargo Housing Market Index. Builders expect constraints in the coming months due to rising material prices, labor shortages, and higher mortgage rates.
- U.S. industrial production rose by a meager 0.2% in May. In the same period, capacity utilization (which reflects the operating limits of U.S. factories, mines and utilities) increased to 79.0% (a reading of less than 100% indicates that a company is producing less-than-full potential).
- The rate of initial jobless claims slid to 229,000 from 232,000 during the week ending June 11. Ongoing progress within labor markets suggested that the Omicron variant has loosened its grip on jobs.
- Mortgage-purchase applications jumped by 8.1% for the week ending June 10, while refinancing applications increased by 5.6%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 5.23% to 5.78%.

Stocks

- Global equities closed lower for the week. Emerging markets fared better than developed markets.
- U.S. equities were in negative territory. Telecommunications and consumer staples were the top performers, while energy and utilities lagged. Growth stocks led growth stocks and large caps beat small caps.

Bonds

- The 10-year Treasury bond yield increased to 3.23% during the week.
- Global bond markets were in negative territory this week.
- Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of June 17, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-5.6%	-22.4%	-18.1%	585.8
MSCI EAFE ($)	-4.5%	-20.9%	-21.4%	1847.0
MSCI Emerging Mkts ($)	-4.4%	-18.2%	-26.0%	1008.1
US & Canadian Equities				
Dow Jones Industrials ($)	-4.6%	-17.6%	-11.5%	29946.8
S&P 500 ($)	-5.4%	-22.6%	-12.6%	3689.3
NASDAQ ($)	-4.7%	-30.9%	-23.7%	10810.8
S&P/ TSX Composite (C$)	-6.3%	-10.5%	-5.7%	18987.4
UK & European Equities				
FTSE All-Share (£)	-4.1%	-7.7%	-4.7%	3881.9
MSCI Europe ex UK (€)	-5.1%	-20.0%	-15.8%	1392.7
Asian Equities				
Topix (¥)	-5.5%	-7.9%	-6.5%	1835.9
Hong Kong Hang Seng ($)	-3.4%	-9.9%	-26.2%	21075.0
MSCI Asia Pac. Ex-Japan ($)	-4.8%	-16.8%	-24.8%	523.8
Latin American Equities				
MSCI EMF Latin America ($)	-4.2%	0.9%	-17.8%	2148.0
Mexican Bolsa (peso)	-1.0%	-9.9%	-4.4%	47976.7
Brazilian Bovespa (real)	-5.3%	-4.7%	-22.0%	99861.6
Commodities ($)				
West Texas Intermediate Spot	-10.0%	41.1%	52.9%	108.6
Gold Spot Price	-1.7%	0.7%	3.9%	1839.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.1%	-14.5%	-16.0%	455.1
JPMorgan Emerging Mkt Bond	-2.4%	-18.3%	-18.6%	750.9
10-Year Yield Change (basis points*)				
US Treasury	8	172	173	3.23%
UK Gilt	5	153	172	2.50%
German Bund	14	184	185	1.66%
Japan Govt Bond	-3	16	17	0.23%
Canada Govt Bond	6	199	202	3.41%
Currency Returns**				
US$ per euro	-0.2%	-7.7%	-11.9%	1.049
Yen per US$	0.4%	17.3%	22.5%	134.97
US$ per £	-0.8%	-9.7%	-12.3%	1.221
C$ per US$	2.0%	3.1%	5.4%	1.303

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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