# Weekly update
# Stocks score on dismal data

June 24, 2022

**The economy**

- U.S. equity markets advanced during the week ending June 24 due to an optimistic outlook on inflation and rate-hike expectations. In recent weeks, U.S. stocks suffered from fears the Federal Reserve (Fed) will cause a recession as it tightens monetary policy to fight inflation. However, economic indicators suggest that the U.S. economy and demand are cooling off, which should keep a lid on inflation and may soften future Fed rate hikes. Counterintuitively, the negative economic signals were favorable for equities.
- Preliminary estimates of U.S. manufacturing activity—which accounts for around 12% of the national economy—decreased from 57.5 in May to a five-month low of 52.4 in June, according to S&P Global's manufacturing purchasing managers' index (PMI). The report indicated slower growth in business activity as demand ebbed.
- Consumer optimism tumbled from 58.4 in May to a historic low of 50.0 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.
- Activity in the U.S. services sector appeared to be decelerating, according to preliminary estimates from S&P Global's U.S. services PMI, which slipped to 51.6 in June from 53.5 in May. New orders remained strong due 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 swelled in May to an annualized pace of 696,000 from 629,000 in April. 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.
- Existing-home sales retreated in May to an annualized pace of 5.41 million after rising by 5.60 million in the prior month.
- The rate of initial jobless claims slid to 229,000 from 231,000 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 7.9% for the week ending June 17, while refinancing applications diminished by 3.1%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 5.78% to 5.81%.

**Stocks**

- Global equities closed higher for the week. Developed markets fared better than emerging markets.
- U.S. equities were in positive territory. Information technology and consumer discretionary were the top performers, while energy and materials lagged. Growth stocks led growth stocks and large caps beat small caps.

**Bonds**

- The 10-year Treasury bond yield decreased to 3.13% during the week.
- Global bond markets were in positive territory this week.
- Global government bonds led, followed by global corporate bonds and high-yield bonds.

| The Numbers as of June 24, 2022 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | 2.1% | -20.9% | -16.9% | 597.0 |
| MSCI EAFE ($) | 0.8% | -21.3% | -21.2% | 1837.4 |
| MSCI Emerging Mkts ($) | -0.9% | -19.2% | -27.2% | 995.3 |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | 5.4% | -13.3% | -7.9% | 31503.7 |
| S&P 500 ($) | 6.1% | -18.2% | -8.6% | 3899.4 |
| NASDAQ ($) | 7.5% | -25.8% | -19.2% | 11607.6 |
| S&P/TSX Composite (C$) | 0.8% | -10.1% | -5.6% | 19078.0 |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | 2.4% | -5.5% | -1.9% | 3975.1 |
| MSCI Europe ex UK (€) | -0.5% | -20.2% | -15.6% | 1389.6 |
| **Asian Equities** | | | | |
| Topix (¥) | 1.7% | -6.3% | -4.1% | 1866.7 |
| Hong Kong Hang Seng ($) | 3.1% | -7.2% | -24.8% | 21719.1 |
| MSCI Asia Pac. Ex-Japan ($) | -0.1% | -17.3% | -25.2% | 520.7 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | -2.6% | -4.2% | -24.1% | 2040.5 |
| Mexican Bolsa (peso) | -0.7% | -10.5% | -5.7% | 47659.1 |
| Brazilian Bovespa (real) | -1.2% | -5.9% | -23.8% | 98636.7 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | -0.1% | 42.2% | 49.0% | 109.5 |
| Gold Spot Price | -0.7% | 0.0% | 2.8% | 1826.4 |
| **Global Bond Indices ($)** | | | | |
| Bloomberg Global Aggregate ($) | 1.1% | -13.9% | -15.2% | 458.7 |
| JPMorgan Emerging Mkt Bond | 0.4% | -17.8% | -18.2% | 755.7 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -9 | 162 | 164 | 3.13% |
| UK Gilt | -20 | 133 | 156 | 2.30% |
| German Bund | -22 | 162 | 163 | 1.44% |
| Japan Govt Bond | 0 | 16 | 17 | 0.23% |
| Canada Govt Bond | -8 | 190 | 190 | 3.32% |
| **Currency Returns**** | | | | |
| US$ per euro | 0.5% | -7.2% | -11.5% | 1.056 |
| Yen per US$ | 0.1% | 17.5% | 22.0% | 135.21 |
| US$ per £ | 0.4% | -9.2% | -11.8% | 1.229 |
| C$ per US$ | -1.0% | 2.1% | 4.6% | 1.290 |

**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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