Weekly update
Stocks start year on wrong foot
July 1, 2022

The economy

- U.S. equities fell during the week ending July 1, bringing the first half of 2022 to a dismal close—the worst since 1970. Some of the major U.S. stock indexes (such as the Russell 2000 Index and the NASDAQ Composite) saw declines of more than 30% during the six-month period. U.S. stocks are struggling from the worst inflation in four decades and the Federal Reserve's recent shift to monetary policy-tightening following two-plus years of holding interest rates near zero in response to the COVID-19 pandemic.
- U.S. economic growth contracted by a weaker-than-expected 1.6% 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. Despite the weakness in the reading, 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%.
- U.S. manufacturing activity (which accounts for about 12% of the economy) lost momentum in June, shrinking to 52.7 from 57.0 in May, as measured by IHS Markit's manufacturing purchasing managers' index (PMI). The sector has been challenged by reduced demand, supply-chain disruptions, and a shortage of factory workers in recent months. A similar report from The Institute for Supply Management (ISM) showed deceleration in manufacturing activity, moving from 56.1 to 53.0 over the same period.
- Durable-goods orders grew by 0.7% in May 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 favorable 0.5%.
- U.S. home prices rose by 1.8% in April and by 21.2% 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 2006's housing boom.
- Construction spending slipped by 0.1% in May. Spending on single-family homebuilding accelerated by 0.2%, while nonresidential construction spending declined by 0.4%. Higher materials prices—especially framing lumber—remained a challenge for homebuilders.
- Initial jobless claims slid to 231,000 from 233,000 during the week ending June 25. Labor conditions have remained tight in recent months.
- Mortgage-purchase applications inched 0.1% higher for the week ending June 29, while refinancing applications declined by 3.1%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, decreased from 5.81% to 5.70%.

Stocks

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

Bonds

- The 10-year Treasury bond yield decreased to 2.88% 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 July 1, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-2.2%	-20.6%	-17.0%	599.1
MSCI EAFE ($)	-2.2%	-21.6%	-20.7%	1832.3
MSCI Emerging Mkts ($)	-1.8%	-19.4%	-27.4%	992.8
US & Canadian Equities				
Dow Jones Industrials ($)	-1.3%	-14.4%	-10.2%	31097.3
S&P 500 ($)	-2.2%	-19.7%	-11.4%	3825.3
NASDAQ ($)	-4.1%	-28.9%	-23.4%	11127.8
S&P/ TSX Composite (C$)	-1.1%	-11.1%	-6.5%	18861.4
UK & European Equities				
FTSE All-Share (£)	-0.9%	-6.4%	-3.0%	3940.0
MSCI Europe ex UK (€)	-1.3%	-19.2%	-14.3%	1406.5
Asian Equities				
Topix (¥)	-1.2%	-7.4%	-4.9%	1845.0
Hong Kong Hang Seng ($)	0.6%	-6.6%	-24.2%	21859.8
MSCI Asia Pac. Ex-Japan ($)	-1.9%	-17.6%	-25.5%	519.2
Latin American Equities				
MSCI EMF Latin America ($)	-1.3%	-5.0%	-22.2%	2023.7
Mexican Bolsa (peso)	0.0%	-10.4%	-5.2%	47743.2
Brazilian Bovespa (real)	0.3%	-5.6%	-21.3%	98953.9
Commodities ($)				
West Texas Intermediate Spot	-1.0%	40.8%	44.1%	108.4
Gold Spot Price	-1.5%	-1.5%	1.6%	1799.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.5%	-13.5%	-14.8%	460.4
JPMorgan Emerging Mkt Bond	-0.3%	-18.1%	-18.5%	753.3
10-Year Yield Change (basis points*)				
US Treasury	-25	137	142	2.88%
UK Gilt	-22	112	135	2.08%
German Bund	-21	141	143	1.23%
Japan Govt Bond	0	16	18	0.23%
Canada Govt Bond	-10	180	183	3.22%
Currency Returns**				
US$ per euro	-1.3%	-8.4%	-12.1%	1.041
Yen per US$	0.0%	17.5%	21.2%	135.21
US$ per £	-1.4%	-10.6%	-12.1%	1.210
C$ per US$	0.1%	2.1%	3.7%	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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