Weekly update
Red light! Green light! Stocks cautiously advance.

July 8, 2022

The economy

- U.S. equities charged higher during the week ending July 8 as the combination of rising interest rates and weakening economic conditions triggered hopes of lower inflation. Still, concerns lingered that the Federal Reserve's aggressive approach to rate hikes could trigger a recession.
- A better-than-expected June employment report showed that the U.S. economy added 372,000 jobs during the month, affirming the Fed's monetary-tightening policy. The central bank is on track to hike interest rates again by a historic 75 basis points at its July meeting.
- Activity in the U.S. services sector appeared to decelerate, according to the S&P Global's U.S. services purchasing managers' index. The reading, which slipped to 52.7 in June from 53.5 in May, showed that labor and supply shortages and rising inflation presented continued challenges to U.S. service providers. One bright spot was new orders, which remained buoyant due to steady consumer demand. A similar report from the Institute for Supply Management showed services activity cooling off during the same period.
- U.S. motor vehicle sales recorded a 13.0 million annualized increase in June. Automobile manufacturing moderated in recent months due to the persistent global semiconductor shortage. However, automakers expressed confidence in a more favorable environment for production for the second half of 2022.
- The U.S. Census Bureau reported that new factory orders gained a greater-than-expected 1.6% in May on the strength of transportation equipment, machinery, and appliances orders. Robust business spending for equipment elevated the reading.
- The number of U.S. job openings (a measure of labor demand) cooled from 11.68 million in April to 11.25 million in May, 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—continued to hover near historic highs during the month, signaling worker confidence in finding new jobs.
- Initial jobless claims widened to 235,000 from 231,000 during the week ending July 2, although labor conditions remained tight. The unemployment rate has clocked in at 3.6% for four consecutive months.
- Mortgage-purchase applications tumbled by 4.3% for the week ending July 1, while refinancing applications declined by 7.7%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, decreased from 5.70% to 5.30%.

Stocks

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

Bonds

- The 10-year Treasury bond yield increased to 3.09% 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 July 8, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	1.5%	-19.5%	-15.2%	607.9
MSCI EAFE ($)	0.5%	-21.2%	-19.9%	1840.8
MSCI Emerging Mkts ($)	0.2%	-19.3%	-24.5%	994.3
US & Canadian Equities				
Dow Jones Industrials ($)	0.8%	-13.8%	-9.0%	31338.2
S&P 500 ($)	2.0%	-18.2%	-9.7%	3900.7
NASDAQ ($)	4.6%	-25.6%	-20.1%	11635.3
S&P/ TSX Composite (C$)	0.9%	-10.4%	-5.2%	19024.8
UK & European Equities				
FTSE All-Share (£)	0.5%	-5.9%	-1.5%	3961.3
MSCI Europe ex UK (€)	1.5%	-18.0%	-12.0%	1427.5
Asian Equities				
Topix (¥)	2.3%	-5.3%	-1.7%	1887.4
Hong Kong Hang Seng ($)	-0.6%	-7.1%	-20.0%	21725.8
MSCI Asia Pac. Ex-Japan ($)	0.6%	-17.1%	-22.5%	522.3
Latin American Equities				
MSCI EMF Latin America ($)	0.2%	-4.8%	-18.6%	2028.6
Mexican Bolsa (peso)	-0.3%	-10.7%	-4.0%	47578.0
Brazilian Bovespa (real)	1.3%	-4.4%	-20.1%	100251.0
Commodities ($)				
West Texas Intermediate Spot	-3.4%	36.1%	43.7%	104.8
Gold Spot Price	-3.2%	-4.6%	-3.1%	1742.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.9%	-14.3%	-16.2%	456.3
JPMorgan Emerging Mkt Bond	-0.6%	-18.6%	-19.3%	748.7
10-Year Yield Change (basis points*)				
US Treasury	21	158	179	3.09%
UK Gilt	15	126	162	2.23%
German Bund	11	152	165	1.34%
Japan Govt Bond	2	17	22	0.24%
Canada Govt Bond	8	187	203	3.30%
Currency Returns**				
US$ per euro	-2.2%	-10.5%	-14.0%	1.018
Yen per US$	0.6%	18.2%	24.0%	136.08
US$ per £	-0.5%	-11.1%	-12.7%	1.203
C$ per US$	0.4%	2.5%	3.3%	1.295

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.

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