Weekly update
Stocks keep calm and carry on.
July 22, 2022

The economy

- U.S. equity markets advanced during the week ending July 22 as favorable second-quarter earnings reports boosted investor optimism. U.S. stocks have suffered in recent weeks on fears that the Federal Reserve's planned interest-rate hikes could trigger a recession. Still, economic indicators suggested that the U.S. economy and demand—although cooling—remain healthy, which should keep a lid on inflation. Recessionary concerns do linger, however, as inflation has yet to peak across the globe.
- U.S. economic health deteriorated by 0.8% in June (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.
- Preliminary estimates of U.S. manufacturing activity—which accounts for around 12% of the national economy—decreased from 52.7 in June to a five-month low of 52.3 in July, according to S&P Global's manufacturing purchasing managers' index (PMI). The report indicated slower growth in business activity as demand ebbed.
- Preliminary estimates of U.S. services activity moderated from 52.7 in June to 47.0 in July. Labor and supply shortages and rising inflation presented continued challenges to U.S. service providers.
- The outlook for single-family homes plummeted from 67 in June to 55 in July following months of robust demand and improved supply, according to the National Association of Home Builders/Wells Fargo Housing Market Index. The sharp reversal in housing-market optimism resulted from rising material prices, labor shortages, and higher mortgage rates (which recently hit their highest level since 2008).
- Existing-home sales retreated in June to an annualized pace of 5.12 million after rising by 5.41 million in the prior month. Demand for mortgages cooled to a 22-year low as red-hot inflation and higher interest rates spooked potential homebuyers. Persistent affordability challenges amid a steep decrease in purchasing power suggest that home sales will likely continue to fall in upcoming months.
- Mortgage-purchase applications tumbled by 7.3% for the week ending July 15, while refinancing applications decreased by 4.3%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, advanced from 5.51% to 5.54%.
- Initial jobless claims widened to 251,000 from 244,000 during the week ending July 16, although labor conditions remained tight. The unemployment rate has clocked in at 3.6% for four consecutive months.

Stocks

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

Bonds

- The 10-year Treasury bond yield decreased to 2.76% during the week.
- Global bond markets were in positive territory this week.
- High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of July 22, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	3.6%	-17.8%	-14.2%	620.4
MSCI EAFE ($)	3.5%	-19.5%	-18.1%	1881.4
MSCI Emerging Mkts ($)	3.0%	-19.6%	-25.3%	990.7
US & Canadian Equities				
Dow Jones Industrials ($)	2.0%	-12.2%	-8.4%	31900.6
S&P 500 ($)	2.2%	-17.1%	-9.6%	3949.0
NASDAQ ($)	3.3%	-24.4%	-19.4%	11834.1
S&P/ TSX Composite (C$)	3.1%	-10.7%	-5.7%	18959.1
UK & European Equities				
FTSE All-Share (£)	2.2%	-4.3%	0.9%	4028.3
MSCI Europe ex UK (€)	2.8%	-15.9%	-11.1%	1463.5
Asian Equities				
Topix (¥)	3.4%	-1.8%	2.7%	1956.0
Hong Kong Hang Seng ($)	1.5%	-11.9%	-25.7%	20609.1
MSCI Asia Pac. Ex-Japan ($)	2.8%	-17.2%	-23.4%	521.2
Latin American Equities				
MSCI EMF Latin America ($)	1.2%	-7.3%	-22.2%	1975.2
Mexican Bolsa (peso)	0.4%	-11.3%	-5.9%	47261.7
Brazilian Bovespa (real)	2.4%	-5.7%	-21.6%	98850.3
Commodities ($)				
West Texas Intermediate Spot	0.4%	27.2%	35.9%	98.0
Gold Spot Price	1.4%	-5.3%	-4.2%	1729.0
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.5%	-14.0%	-16.0%	458.1
JPMorgan Emerging Mkt Bond	1.9%	-18.7%	-19.6%	747.3
10-Year Yield Change (basis points*)				
US Treasury	-16	125	148	2.76%
UK Gilt	-15	97	137	1.94%
German Bund	-10	121	145	1.03%
Japan Govt Bond	-2	14	20	0.22%
Canada Govt Bond	-24	141	163	2.83%
Currency Returns**				
US$ per euro	1.3%	-10.2%	-13.3%	1.021
Yen per US$	-1.9%	18.2%	23.5%	136.00
US$ per £	1.2%	-11.4%	-12.9%	1.200
C$ per US$	-0.9%	2.2%	2.8%	1.291

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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