Weekly update
July jobs report overshadows recessionary fears
August 5, 2022

The economy

- A significantly stronger-than-expected July employment report showed that the U.S. economy added 528,000 jobs during the month, registering 19 consecutive months of job growth. Employment growth was broad-based across sectors and reaffirmed the Federal Reserve's aggressive interest-rate hike plans. The central bank is on track to hike rates again by 75 basis points at its September meeting.
- U.S. manufacturing activity (which accounts for about 12% of the economy) lost momentum in July, shrinking to 52.2 from 52.7 in June, 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 53.0 to 52.8 over the same period.
- Activity in the U.S. services sector also decelerated, according to the S&P Global's U.S. services PMI. The reading, which slipped to 47.3 in July from 52.7 in June, showed that labor and supply shortages and rising inflation presented continued challenges. One bright spot was new orders, which remained buoyant due to steady consumer demand. A similar report from ISM showed an improvement in services activity during the same period, primarily due to an increase in new orders.
- Construction spending slipped by 1.1% in June. Spending on single-family homebuilding decreased 3.1%, while nonresidential construction spending declined by 0.5%. Higher materials prices—especially framing lumber—remained a challenge for homebuilders. The housing market has cooled off in recent weeks as higher mortgage rates have reduced affordability for homebuyers.
- U.S. motor vehicle sales recorded a 13.3 million annualized increase in July. 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 number of U.S. job openings (a measure of labor demand) cooled from 11.30 million in May to 10.69 million in June, 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.
- The U.S. Census Bureau reported that new factory orders gained a greater-than-expected 2.0% in June on the strength of transportation equipment, machinery, and appliances orders. Robust business spending helped.
- Mortgage-purchase applications widened by 1.0% for the week ending July 29, while refinancing applications increased by 1.5%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, fell from 5.30% to 4.99%.

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 value stocks and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield increased to 2.83% 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 August 5, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.5%	-15.1%	-12.5%	640.9
MSCI EAFE ($)	0.2%	-16.9%	-17.7%	1941.7
MSCI Emerging Mkts ($)	0.1%	-19.3%	-23.5%	994.6
US & Canadian Equities				
Dow Jones Industrials ($)	-0.1%	-9.7%	-6.4%	32803.5
S&P 500 ($)	0.4%	-13.0%	-6.4%	4145.2
NASDAQ ($)	2.2%	-19.1%	-15.0%	12657.6
S&P/ TSX Composite (C$)	-0.4%	-7.6%	-3.7%	19620.1
UK & European Equities				
FTSE All-Share (£)	0.1%	-2.3%	0.5%	4111.5
MSCI Europe ex UK (€)	0.5%	-13.3%	-10.7%	1508.0
Asian Equities				
Topix (¥)	0.4%	-2.3%	0.9%	1947.2
Hong Kong Hang Seng ($)	0.2%	-13.7%	-22.9%	20201.9
MSCI Asia Pac. Ex-Japan ($)	0.1%	-17.0%	-21.4%	522.7
Latin American Equities				
MSCI EMF Latin America ($)	-0.3%	-0.4%	-15.6%	2121.4
Mexican Bolsa (peso)	-3.0%	-12.3%	-8.6%	46723.4
Brazilian Bovespa (real)	3.2%	1.6%	-12.5%	106471.9
Commodities ($)				
West Texas Intermediate Spot	-9.7%	15.6%	28.8%	89.0
Gold Spot Price	0.6%	-2.9%	-1.8%	1774.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.2%	-11.9%	-14.6%	468.8
JPMorgan Emerging Mkt Bond	1.0%	-15.4%	-16.6%	778.0
10-Year Yield Change (basis points*)				
US Treasury	18	132	161	2.83%
UK Gilt	19	108	152	2.05%
German Bund	14	113	145	0.95%
Japan Govt Bond	-2	10	16	0.17%
Canada Govt Bond	13	132	157	2.74%
Currency Returns**				
US$ per euro	-0.4%	-10.4%	-14.0%	1.018
Yen per US$	1.3%	17.3%	23.0%	135.01
US$ per £	-0.8%	-10.8%	-13.3%	1.207
C$ per US$	1.1%	2.3%	3.4%	1.293

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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