Weekly update
Summertime slowdown sinks stocks

September 2, 2022

The economy

- U.S. equities retreated during the week ending September 2, registering three consecutive weeks of losses. Stocks have come under pressure in recent weeks due to comments from members of the Federal Reserve signaling the aggressive interest-rate hike path is here to stay. The central bank intends to continue raising rates until uncomfortably-high inflation is extinguished.
- The August employment report showed that the U.S. economy added 315,000 jobs during the month, recording 20 consecutive months of job growth. Rising wages, plentiful job opportunities, and receding pandemic effects led to a strong uptick in the number of job-seekers. Employment growth was broad-based across sectors and reaffirmed the Federal Reserve's aggressive interest-rate hike plans.
- U.S. home prices rose by 0.4% in June and by 18.6% 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 0.4% in July. Spending on single-family homebuilding decreased 4.0%, while nonresidential construction spending increased by 0.4%. Higher materials prices—especially framing lumber—remained a challenge for homebuilders. The housing market has begun to cool off as higher mortgage rates have reduced affordability for homebuyers.
- The number of U.S. job openings (a measure of labor demand) widened from 11.04 million in June to 11.23 million in July, 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.
- U.S. manufacturing activity (which accounts for about 12% of the economy) lost momentum in August, shrinking to 51.5 from 52.2 in July, 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 in recent months.
- U.S. motor vehicle sales recorded a 13.2 million annualized increase during August. Automobile manufacturing moderated in recent months due to the persistent global semiconductor shortage. However, automakers expressed confidence in a more favorable environment for production in the months ahead.
- Initial U.S. jobless claims decreased by 5,000 to 232,000 amid recession fears during the week of August 27—a sign that the labor market remained resilient despite rising interest rates.

Stocks

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

Bonds

- The 10-year Treasury bond yield increased to 3.20% during the week.
- Global bond markets were in negative territory this week.
- Global government bonds led, followed by global corporate bonds and high-yield bonds.

The Numbers as of September 2, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-3.1%	-19.4%	-18.4%	608.3
MSCI EAFE ($)	-4.9%	-23.4%	-24.9%	1790.2
MSCI Emerging Mkts ($)	-3.0%	-20.8%	-25.6%	976.1
US & Canadian Equities				
Dow Jones Industrials ($)	-3.1%	-13.9%	-11.8%	31279.0
S&P 500 ($)	-3.7%	-18.0%	-13.9%	3908.0
NASDAQ ($)	-4.3%	-25.7%	-24.2%	11617.6
S&P/ TSX Composite (C$)	-3.3%	-9.4%	-7.6%	19223.5
UK & European Equities				
FTSE All-Share (£)	-1.9%	-5.0%	-3.3%	3998.5
MSCI Europe ex UK (€)	-3.6%	-19.4%	-18.1%	1403.2
Asian Equities				
Topix (¥)	-2.5%	-3.1%	-2.7%	1930.2
Hong Kong Hang Seng ($)	-3.6%	-16.9%	-25.4%	19452.1
MSCI Asia Pac. Ex-Japan ($)	-3.1%	-19.2%	-23.8%	509.2
Latin American Equities				
MSCI EMF Latin America ($)	-4.7%	-0.2%	-13.8%	2124.6
Mexican Bolsa (peso)	-3.0%	-14.0%	-12.0%	45836.7
Brazilian Bovespa (real)	-1.5%	5.6%	-5.2%	110649.4
Commodities ($)				
West Texas Intermediate Spot	-6.7%	12.8%	24.1%	86.9
Gold Spot Price	-1.3%	-6.2%	-5.3%	1714.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.8%	-16.3%	-18.6%	445.5
JPMorgan Emerging Mkt Bond	-2.3%	-18.0%	-19.7%	754.5
10-Year Yield Change (basis points*)				
US Treasury	16	169	192	3.20%
UK Gilt	32	195	224	2.92%
German Bund	14	170	191	1.52%
Japan Govt Bond	2	17	21	0.24%
Canada Govt Bond	7	166	193	3.09%
Currency Returns**				
US$ per euro	-0.2%	-12.5%	-16.2%	0.995
Yen per US$	1.9%	21.9%	27.6%	140.23
US$ per £	-2.0%	-15.0%	-16.8%	1.151
C$ per US$	0.8%	4.0%	4.7%	1.314

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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