Weekly update
Stocks snap losing streak

September 9, 2022

The economy

- U.S. equities charged higher during the week ending September 9 due to improved optimism and resilience in the U.S. economy, bolstered by favorable economic reports. Data suggested that the U.S. economy and demand—although cooling—remained healthy, which could be expected to keep a lid on inflation. Meanwhile, Federal Reserve (Fed) Chairman Jerome Powell affirmed the central bank's commitment to extinguishing inflation. The Fed appeared on track to deliver another 75 basis point increase at its September meeting.
- U.S. stocks have suffered in recent weeks from fears the Fed will cause a painful recession as it aggressively tightens monetary policy to fight inflation.
- 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 S&P Global'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.
- 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 43.7 in August from 47.3 in July, showed that labor and supply shortages, as well as 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.
- Mortgage-purchase applications tumbled by 0.7% for the week ending September 2, while refinancing applications decreased by 1.1%. The average interest rate on a 30-year fixed-rate mortgage, which has been rising in recent weeks, increased from 5.66% to 5.89%.
- Consumer-credit growth moderated from an elevated $39.1 billion in June to a still-high $23.8 billion in July as Americans maintained robust credit usage. Revolving credit, which includes credit cards, jumped by 11.6%. The report suggested that consumers were more reliant on their credit cards amid higher prices. Non-revolving credit (which includes student and automobile loans) advanced by 4.4%. A higher rate of consumer-price inflation decreased consumer saving rates and financial well-being and, consequently, encouraged spending on credit. The trend is expected to persist as inflation and interest rates continue to rise.
- Initial U.S. jobless claims decreased by 10,000 to 222,000 during the week of September 3—a sign that the labor market remained resilient despite rising interest rates.

Stocks

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

Bonds

- The 10-year Treasury bond yield increased to 3.32% 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 September 9, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.9%	-18.9%	-17.2%	612.3
MSCI EAFE ($)	-1.3%	-22.9%	-24.2%	1800.5
MSCI Emerging Mkts ($)	-1.5%	-22.3%	-26.4%	957.2
US & Canadian Equities				
Dow Jones Industrials ($)	2.7%	-11.5%	-7.8%	32151.7
S&P 500 ($)	3.6%	-14.7%	-9.5%	4067.4
NASDAQ ($)	4.1%	-22.6%	-20.6%	12112.3
S&P/ TSX Composite (C$)	2.6%	-6.8%	-4.5%	19773.3
UK & European Equities				
FTSE All-Share (£)	1.1%	-4.0%	-0.4%	4041.5
MSCI Europe ex UK (€)	-0.8%	-18.2%	-15.6%	1423.8
Asian Equities				
Topix (¥)	1.8%	-1.3%	-4.8%	1965.5
Hong Kong Hang Seng ($)	-0.5%	-17.2%	-24.7%	19362.3
MSCI Asia Pac. Ex-Japan ($)	-1.5%	-20.8%	-24.7%	498.6
Latin American Equities				
MSCI EMF Latin America ($)	-0.8%	0.7%	-10.3%	2145.5
Mexican Bolsa (peso)	2.6%	-11.7%	-8.4%	47059.6
Brazilian Bovespa (real)	1.2%	7.1%	-2.7%	112249.8
Commodities ($)				
West Texas Intermediate Spot	-0.1%	12.7%	27.4%	86.8
Gold Spot Price	0.3%	-5.8%	-4.1%	1720.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.2%	-16.9%	-19.0%	442.6
JPMorgan Emerging Mkt Bond	0.2%	-17.6%	-19.3%	758.1
10-Year Yield Change (basis points*)				
US Treasury	13	181	202	3.32%
UK Gilt	18	212	236	3.09%
German Bund	17	188	206	1.69%
Japan Govt Bond	1	18	21	0.25%
Canada Govt Bond	4	171	196	3.13%
Currency Returns**				
US$ per euro	0.9%	-11.7%	-15.1%	1.005
Yen per US$	1.7%	23.9%	30.0%	142.64
US$ per £	0.7%	-14.3%	-16.2%	1.159
C$ per US$	-0.8%	3.1%	2.9%	1.303

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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