Weekly update
Global central banks follow the Fed
September 23, 2022

The economy
- Global equity markets retreated during the week ending September 23 after major central banks hiked interest rates. The Federal Reserve (Fed) raised interest rates by 75 basis at its September meeting, recording five rate hikes in 2022, and signaled that additional large rate increases are likely as it seeks to quell high inflation.
- The concerted effort to raise rates by global central banks unnerved investors. The Fed's aggressive plans are expected to result in a sharp deceleration in economic growth. U.S. Treasury yields play a key role in the global economy, establishing a base for borrowing costs for consumers and businesses. A historically large climb in U.S. Treasury yields in 2022 has punished stocks and resulted in lower expectations for corporate profits.
- U.S. economic health slipped by 0.3% in August (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. The reading signaled a decline in near-term economic activity and suggested growing recession risks. The Conference Board does not anticipate expansion in the U.S. economy in the third quarter of 2022 and predicts a possible short (but mild) recession by year end.
- Challenges for the U.S. housing market persisted amid rising mortgage rates, persistent supply-chain issues, and low affordability. Homebuilder confidence in the outlook for newly-built single-family homes plunged further below the key break-even score of 50 during September, moving to 46 from 49 in the prior month, according to the National Association of Home Builders/Wells Fargo Housing Market Index.
- Housing starts rebounded in August from the lowest level since February 2021, while permits for future homebuilding fell by 10%. This signals a significant drop in future housing projects.
- Meanwhile, the National Association of Realtors reported that existing home sales fell to an annualized rate of 4.80 million in August, representing a 0.4% month-over-month decline. Year over year, existing home sales stumbled by 19.9%.
- Mortgage-purchase applications widened by 1.0% for the week ending September 21, while refinancing applications jumped by 10.4%. The average interest rate on a 30-year fixed-rate mortgage continued to rise, moving from 6.02% to 6.29% (the highest reading since 2008).
- Preliminary estimates of U.S. manufacturing activity—which accounts for around 12% of the national economy—increased from a five-month low of 51.5 in August to 51.8 in September, according to S&P Global's manufacturing purchasing managers' index (PMI). The report indicated slower growth in business activity as demand ebbed.
- Initial U.S. jobless claims increased by 5,000 to 213,000 during the week of September 17—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 set new lows on a year to date basis. Health care and utilities fared best, while energy and materials led the decline. Growth stocks led value stocks and large caps beat small caps.

Bonds
- The 10-year Treasury bond yield increased to 3.69% during the week.
- Global bond prices were in negative territory this week.
- High-yield bonds led, followed by global corporate bonds and global government bonds.

The Numbers as of September 23, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-3.0%	-23.2%	-20.8%	579.6
MSCI EAFE ($)	-3.1%	-25.8%	-26.3%	1734.0
MSCI Emerging Mkts ($)	-2.3%	-25.1%	-27.5%	922.6
US & Canadian Equities				
Dow Jones Industrials ($)	-4.0%	-18.6%	-14.9%	29592.9
S&P 500 ($)	-4.7%	-22.6%	-17.0%	3691.2
NASDAQ ($)	-5.1%	-30.5%	-27.8%	10867.9
S&P/ TSX Composite (C$)	-4.7%	-13.0%	-9.7%	18471.5
UK & European Equities				
FTSE All-Share (£)	-3.2%	-8.5%	-5.7%	3848.7
MSCI Europe ex UK (€)	-2.6%	-21.3%	-18.8%	1368.9
Asian Equities				
Topix (¥)	-1.2%	-3.8%	-6.2%	1916.1
Hong Kong Hang Seng ($)	-4.4%	-23.4%	-26.8%	17933.3
MSCI Asia Pac. Ex-Japan ($)	-2.5%	-24.0%	-25.9%	478.6
Latin American Equities				
MSCI EMF Latin America ($)	3.4%	3.1%	-6.0%	2195.3
Mexican Bolsa (peso)	-3.0%	-14.8%	-11.8%	45379.8
Brazilian Bovespa (real)	2.2%	6.6%	-2.0%	111727.3
Commodities ($)				
West Texas Intermediate Spot	-7.1%	2.7%	7.7%	79.1
Gold Spot Price	-1.6%	-9.9%	-5.9%	1646.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.6%	-18.6%	-20.1%	433.3
JPMorgan Emerging Mkt Bond	-1.0%	-19.3%	-20.4%	742.1
10-Year Yield Change (basis points*)				
US Treasury	24	218	226	3.69%
UK Gilt	69	286	292	3.82%
German Bund	27	220	228	2.02%
Japan Govt Bond	-2	17	20	0.24%
Canada Govt Bond	-7	165	173	3.07%
Currency Returns**				
US$ per euro	-3.2%	-14.7%	-17.4%	0.970
Yen per US$	0.3%	24.5%	29.9%	143.32
US$ per £	-4.8%	-19.7%	-20.8%	1.087
C$ per US$	2.5%	7.5%	7.4%	1.359

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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