Weekly update
While GDP drops, consumers…shop?

September 30, 2022

The economy

- It was a tough week for global financial markets as slowing economic growth and high inflation globally raised recession concerns worldwide.
- U.S. economic growth contracted by a 0.6% annualized rate during the second quarter of 2022, as measured by gross domestic product (GDP). This marks two consecutive quarters of negative GDP, which meets a widely cited—but unofficial—definition of a recession. Many economists reserve designations of recession for sharper declines that last for more than a few months.
- Nevertheless, consumer spending, which drives nearly 70% of U.S. economic activity, advanced by 0.4% in August (as measured by the personal consumption expenditures price index). This appears to be a combination of wage inflation (consumers have more money) and price inflation (goods cost more to purchase). Many economists and market watchers expect spending to fall if current economic conditions persist.
- Durable-goods orders slipped for the second straight month in August, by 0.2%, primarily on a steep drop in orders for transportation equipment amid plummeting orders for non-defense aircraft and parts. On the positive side, new orders for core capital goods (a closely watched indicator of business spending that excludes non-defense aircraft) rose by 1.3% in August.
- U.S. home prices fell by 0.3% in July—registering the first month-over-month decline in almost two years—while year-over-year price gains slowed to 15.8% from 18.1% in June (as measured by the S&P CoreLogic Case-Schiller U.S. National Home Price Index).
- The consumer-confidence index improved by more than expected in September, according to the Conference Board, jumping from 103.2 to 108.0 over the month as Americans were encouraged by falling gas prices.
- New-home sales registered a seasonally adjusted annualized pace of 685,000 in August—gaining 28.8% in the month, but slowing by 0.1% in the year over year. The buying frenzy is expected to cool in the coming months as already-high mortgage rates are expected to rise further.
- In fact, mortgage-purchase applications fell by 0.4% for the week ending September 23, while refinancing applications tumbled by 10.9%.
- The average interest rate on a 30-year fixed-rate mortgage continued to rise, reaching 6.70%—the highest reading since 2007—in the week ending September 29. Higher interest rates make homes more expensive for borrowers.
- Initial U.S. jobless claims reached a five-month low of 193,000 during the week ending September 24—signaling ongoing labor-market resiliency in the face of rate hikes.

Stocks

- U.S. equities once again set new lows on a year to date basis.
- Energy was the only positive sector, bolstered by robust demand. Utilities and information technology stocks suffered during the week.
- Growth stocks again beat again value stocks large caps continued to outperform small caps.

Bonds

- The U.K. was the center of the bond universe as the new government's budget stoked inflation fears and crushed bond prices. The central bank intervened, announcing a plan to purchase long-term bonds in order to drive down interest rates and calm markets.
- Global bond markets fell on the week as yields rose. The yield on the 10-year U.S. Treasury note briefly hit 4% for the first time since 2008.
- Global government bonds led, followed by global corporate bonds and high yield bonds.

The Numbers as of September 30, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.8%	-26.1%	-21.4%	557.9
MSCI EAFE ($)	-1.9%	-29.1%	-27.4%	1655.3
MSCI Emerging Mkts ($)	-3.6%	-29.1%	-30.3%	873.3
US & Canadian Equities				
Dow Jones Industrials ($)	-2.9%	-20.9%	-15.1%	28730.1
S&P 500 ($)	-2.4%	-24.3%	-16.3%	3606.2
NASDAQ ($)	-2.7%	-32.4%	-26.8%	10575.6
S&P/ TSX Composite (C$)	0.0%	-12.9%	-7.9%	18489.4
UK & European Equities				
FTSE All-Share (£)	-2.2%	-10.6%	-7.3%	3763.5
MSCI Europe ex UK (€)	-1.7%	-24.2%	-19.2%	1318.9
Asian Equities				
Topix (¥)	-4.2%	-7.8%	-9.6%	1835.9
Hong Kong Hang Seng ($)	-4.0%	-26.4%	-29.9%	17222.8
MSCI Asia Pac. Ex-Japan ($)	-3.5%	-28.0%	-28.8%	453.4
Latin American Equities				
MSCI EMF Latin America ($)	-4.5%	-4.8%	-9.0%	2027.2
Mexican Bolsa (peso)	-1.6%	-16.2%	-13.1%	44666.2
Brazilian Bovespa (real)	-1.2%	5.3%	-0.6%	110350.9
Commodities ($)				
West Texas Intermediate Spot	0.3%	3.2%	5.9%	79.5
Gold Spot Price	1.1%	-8.9%	-5.4%	1664.1
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.9%	-20.1%	-20.6%	425.6
JPMorgan Emerging Mkt Bond	-2.8%	-22.3%	-22.3%	714.1
10-Year Yield Change (basis points*)				
US Treasury	12	229	232	3.80%
UK Gilt	26	312	306	4.08%
German Bund	9	229	231	2.11%
Japan Govt Bond	1	17	17	0.24%
Canada Govt Bond	10	175	166	3.17%
Currency Returns**				
US$ per euro	1.2%	-13.8%	-15.4%	0.980
Yen per US$	1.0%	25.8%	30.1%	144.75
US$ per £	2.8%	-17.5%	-17.2%	1.116
C$ per US$	1.6%	9.3%	8.9%	1.381

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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