

Weekly update

Investors say “meh” to mega-cap malaise

October 28, 2022



The economy

- U.S. equities posted gains for the week ending October 28, 2022. Stocks were buoyed by the release of better-than-expected gross domestic product (GDP) data, which offset weakness in mega-cap technology stocks. The tech-heavy NASDAQ Composite Index rose modestly during the week despite several widely held companies reporting weak results and providing forward guidance that did not meet the market’s expectations.
- The U.S. economy expanded at an annualized rate of 2.6% in the third quarter of 2022, reversing the corresponding 1.6% and 0.6% annualized decreases for the first and second quarters of the year. The upturn in GDP, or economic growth, was attributed to increases in exports, consumer spending, and non-residential fixed investments. Additionally, personal income rose \$291.2 billion in the third quarter due to a jump in compensation. However, higher employee compensation costs could have an adverse impact on corporate earnings going forward.
- According to the U.S. Department of Labor, initial unemployment claims ticked up 3,000 to 217,000 during the week ending October 22. The four-week moving average of initial unemployment claims rose by 6,750 to 219,000 last week, but remained substantially lower than the 315,250 average for the same period in 2021, indicating ongoing resilience in the labor market.
- The acceleration in home prices in the U.S. slowed in August. The S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index rose 13.0% year over year in August (the most recent reporting period), down from a 15.6% annual increase in July. All 20 metropolitan areas represented in the S&P CoreLogic Case-Shiller 20-City Composite Home Price NSA Index saw relatively smaller 12-month gains in August. Additionally, the National Home Price NSA Index fell 1.1% month over month in August—the second consecutive monthly decline. The downturn resulted from weakness on the West Coast, particularly in San Francisco, Seattle and San Diego.
- The ongoing upturn in mortgage rates appears to be weighing on home prices as more prospective buyers are being priced out of the market. According to the U.S. Federal Reserve, the average interest rate on a 30-year fixed-rate mortgage was up 14 basis points to 7.08% during the seven-day period ended October 27—the highest level since December 2001. The average 30-year rate has climbed 3.97% since the beginning of 2022.
- In another sign that the housing market is cooling, the U.S. Census Bureau and the Department of Housing and Urban Development reported that sales of new homes totaled 603,000 in September—down 10.9% and 17.6% month over month and versus the same period in 2021, respectively. A 14,000 increase in sales of homes in the Northeast in September was more than offset by a decline of 90,000 in the South.

Stocks

- Global equities closed higher for the week. Developed markets fared better than emerging markets.
- U.S. equities were in positive territory. Industrials and utilities were the top performers, while telecommunications and consumer discretionary lagged. Value stocks led growth stocks and small caps beat large caps.

Bonds

- The 10-year Treasury bond yield decreased to 4.01% during the week.
- Global bond markets were in positive territory this week.
- Global government bonds led, followed by global corporate bonds and high yield bonds.

The Numbers as of October 28, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI (\$)	2.1%	-22.9%	-22.1%	582.2
MSCI EAFE (\$)	4.9%	-24.6%	-25.2%	1761.8
MSCI Emerging Mkts (\$)	-0.6%	-30.2%	-32.6%	859.5
US & Canadian Equities				
Dow Jones Industrials (\$)	5.7%	-9.6%	-8.0%	32861.8
S&P 500 (\$)	4.0%	-18.2%	-15.1%	3901.0
NASDAQ (\$)	2.2%	-29.0%	-28.1%	11102.5
S&P/ TSX Composite (C\$)	3.2%	-8.3%	-8.1%	19471.3
UK & European Equities				
FTSE All-Share (£)	1.6%	-8.4%	-6.8%	3855.8
MSCI Europe ex UK (€)	3.5%	-18.0%	-16.0%	1426.8
Asian Equities				
Topix (¥)	0.9%	-4.7%	-5.0%	1899.1
Hong Kong Hang Seng (\$)	-8.3%	-36.5%	-41.8%	14863.1
MSCI Asia Pac. Ex-Japan (\$)	0.2%	-30.0%	-32.6%	440.8
Latin American Equities				
MSCI EMF Latin America (\$)	-2.9%	4.1%	3.2%	2217.2
Mexican Bolsa (peso)	4.2%	-7.8%	-4.2%	49099.2
Brazilian Bovespa (real)	-4.8%	8.9%	8.0%	114200.2
Commodities (\$)				
West Texas Intermediate Spot	1.0%	13.7%	5.7%	87.5
Gold Spot Price	-0.5%	-10.1%	-8.8%	1642.8
Global Bond Indices (\$)				
Bloomberg Global Aggregate (\$)	3.0%	-19.6%	-20.3%	428.2
JPMorgan Emerging Mkt Bond	3.0%	-22.0%	-22.2%	716.9
10-Year Yield Change (basis points*)				
US Treasury	-21	250	243	4.01%
UK Gilt	-57	250	247	3.47%
German Bund	-31	228	224	2.10%
Japan Govt Bond	-1	18	16	0.25%
Canada Govt Bond	-38	181	156	3.24%
Currency Returns**				
US\$ per euro	1.0%	-12.4%	-14.7%	0.996
Yen per US\$	-0.1%	28.1%	29.8%	147.47
US\$ per £	2.7%	-14.2%	-15.8%	1.161
C\$ per US\$	-0.3%	7.6%	10.2%	1.360
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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