Weekly update
U.S. markets are under-Fed
November 4, 2022

The economy

- U.S. equities lost ground during the week ending November 4 amid investor concern regarding the Federal Reserve's (Fed) monetary policy. The Federal Open Market Committee (FOMC) implemented another 0.75% increase in the federal funds rate to a range of 3.75%-4.00%, which will result in higher borrowing costs for consumers and businesses. In a statement issued following its meeting, the FOMC noted that it is "strongly committed to returning inflation to its 2.0% objective".
- Although the FOMC's action was widely-expected, there was a selloff in the U.S. equity market following Fed Chair Jerome Powell's comments at a news conference after the announcement of the rate hike. Powell affirmed, "Restoring price stability will likely require maintaining a restrictive stance of monetary policy for some time". He also acknowledged that "at some point, it will become appropriate to slow the pace of increases, as we approach the level of interest rates that will be sufficiently restrictive to bring inflation down to our 2.0% goal".
- The U.S. employment situation remained robust in October. The Department of Labor reported that U.S. payrolls expanded by a larger-than-expected total of 261,000 in October. The unemployment rate ticked up 0.2% to 3.7% as the labor force participation rate (the percentage of the population age 16 and over who are employed or actively seeking employment) dipped 0.1% to 62.2%. The health care, professional and technical services, and leisure and hospitality sectors saw the largest job gains for the month. Average hourly earnings rose 0.4% and 4.7% in October and over the previous 12-month period, respectively.
- The labor market was jolted on Tuesday by the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS). The number of job openings in the U.S. rose by 437,000 to 10.7 million in September (the most recent reporting period), rebounding from a sharp month-over-month decrease in August. The notable rise in job openings suggests that employers are having difficulty filling vacant positons and may need to increase wages in an already inflationary environment. Stocks declined following the release of the survey, as investors worried that it would lead the Fed to raise interest rates for a longer period of time. The job openings rate (which is calculated by dividing the number of job openings by the sum of the total number of employees and the number of job openings) ticked up 0.2% to 6.5%, indicating continued strength in the labor market, but remained below its peak of 7.3% in March of 2022.
- The Institute for Supply Management's Purchasing Managers Index (PMI) dipped 0.7% to 50.2% in October—its lowest level since May 2020. The PMI is in borderline positive territory; a reading above 50% indicates that the broader economy is expanding. The PMI's New Orders Index, a gauge of demand for manufacturers' products and services, ended the month at 49.2%, denoting a modest decline in orders compared to the previous month.

Stocks

- Global equities closed lower for the week. Emerging markets fared better than developed markets.
- U.S. equities were in negative territory. Energy and materials 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 increased to 4.17% during the week.
- Global bond markets were in negative territory this week.
- Global corporate bonds led, followed by global government bonds and high yield bonds.

The Numbers as of November 4, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-3.1%	-24.4%	-24.5%	570.8
MSCI EAFE ($)	-1.0%	-25.9%	-27.0%	1730.7
MSCI Emerging Mkts ($)	1.8%	-30.1%	-32.1%	860.9
US & Canadian Equities				
Dow Jones Industrials ($)	-1.4%	-10.8%	-10.3%	32403.2
S&P 500 ($)	-3.3%	-20.9%	-19.4%	3770.6
NASDAQ ($)	-5.6%	-33.0%	-34.3%	10475.3
S&P/ TSX Composite (C$)	-0.2%	-8.4%	-8.9%	19439.9
UK & European Equities				
FTSE All-Share (£)	3.8%	-4.9%	-3.8%	4001.8
MSCI Europe ex UK (€)	-0.6%	-18.4%	-18.1%	1420.7
Asian Equities				
Topix (¥)	0.9%	-3.9%	-6.8%	1915.4
Hong Kong Hang Seng ($)	8.7%	-30.9%	-35.9%	16161.1
MSCI Asia Pac. Ex-Japan ($)	1.6%	-30.3%	-32.1%	439.3
Latin American Equities				
MSCI EMF Latin America ($)	4.5%	8.3%	8.5%	2305.9
Mexican Bolsa (peso)	4.3%	-3.9%	-1.3%	51190.3
Brazilian Bovespa (real)	3.3%	12.9%	14.5%	118373.7
Commodities ($)				
West Texas Intermediate Spot	5.4%	20.3%	17.5%	92.6
Gold Spot Price	1.9%	-8.3%	-6.6%	1674.5
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.4%	-21.0%	-21.6%	420.4
JPMorgan Emerging Mkt Bond	-0.5%	-22.3%	-22.5%	714.4
10-Year Yield Change (basis points*)				
US Treasury	15	266	264	4.17%
UK Gilt	6	256	259	3.53%
German Bund	19	247	252	2.29%
Japan Govt Bond	1	19	18	0.26%
Canada Govt Bond	28	208	185	3.51%
Currency Returns**				
US$ per euro	0.0%	-12.4%	-13.8%	0.996
Yen per US$	-0.7%	27.4%	28.9%	146.58
US$ per £	-2.0%	-15.9%	-15.7%	1.138
C$ per US$	-0.9%	6.6%	8.2%	1.347

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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