Weekly update
The price (index) is right
November 11, 2022

The economy

- The U.S. equity market rallied sharply during the week ending November 11 following the release of encouraging inflation data.
- According to the U.S. Department of Labor, the Consumer Price Index (CPI) increased by 0.4% in October, matching the upturn in September. However, the CPI's 7.7% rise for the previous 12-month period was down from the 8.2% annual increase in September and significantly lower than the 40-year high of 9.1% recorded in June of 2022.
- Meanwhile, the Personal Consumption Expenditures (PCE) Index, which is the Federal Reserve's (Fed) preferred inflation measure as it excludes volatile food and energy prices, decreased 0.3% to 6.3% for the 12-month period ending October 31.
- The lower-than-expected increase in the CPI boosted investor optimism that the Fed's monetary policy tightening may be starting to dampen inflation, which could convince the central bank to curtail interest-rate hikes going forward. The Fed has raised the federal funds rate by 3.75% to a range of 3.75%-4.00%. According to CME's FedWatch Tool, there is an 85% probability that the Federal Open Market Committee will implement a 0.50% increase in the target federal funds rate at its meeting in December, which would break a streak of four consecutive 0.75% rate hikes since June.
- The Department of Labor reported that initial unemployment claims increased by 7,000 to 225,000 during the week ending November 5. The four-week moving average of initial unemployment claims dipped by 250 to 218,750, and remained substantially lower than the 290,750 average for the same period in 2021. This indicates ongoing strength in the labor market, which could prompt the Fed to maintain its policy tightening for a while longer in an effort to curb inflation.
- According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage moved up 0.14% to 7.08% during the seven-day period ending November 10—matching the highest level since December 2001. The average 30-year rate has climbed 4.1% over the past 12 months. The monthly principal and interest payment on a 30-year mortgage of $300,000 at a 2.98% interest rate a year ago would have been roughly $1,262. The current monthly payment for a 30-year term at 7.08% is about $2,012—a 59% year-over-year increase. The skyrocketing mortgage rates have priced many prospective homebuyers out of the market.
- The higher rates for home loans also are having a negative impact on mortgage applications. The Mortgage Bankers Association's (MBA) Market Composite Index, a measure of mortgage loan application volume, dipped 0.1% week over week for the period ending November 4. The bulk of new applications was for home purchases. Refinancing activity declined 4% from the previous week and plummeted 87% versus the same period a year earlier. There is little incentive for many homeowners to refinance as they secured their current loans at significantly lower interest rates.

Stocks

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

Bonds

- The 10-year Treasury bond yield decreased to 3.81% during the week.
- Global bond markets were in positive territory this week.
- Global corporate bonds led, followed by global government bonds and high yield bonds.

The Numbers as of November 11, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	4.7%	-19.5%	-19.2%	607.7
MSCI EAFE ($)	5.7%	-19.9%	-20.5%	1871.6
MSCI Emerging Mkts ($)	0.5%	-27.8%	-30.6%	889.6
US & Canadian Equities				
Dow Jones Industrials ($)	4.1%	-7.1%	-6.1%	33747.9
S&P 500 ($)	5.9%	-16.2%	-14.1%	3992.9
NASDAQ ($)	8.1%	-27.6%	-27.9%	11323.3
S&P/ TSX Composite (C$)	3.4%	-5.2%	-6.8%	20111.5
UK & European Equities				
FTSE All-Share (£)	0.9%	-4.1%	-4.2%	4036.8
MSCI Europe ex UK (€)	4.0%	-13.5%	-13.4%	1505.4
Asian Equities				
Topix (¥)	3.3%	-0.7%	-1.8%	1977.8
Hong Kong Hang Seng ($)	7.2%	-26.0%	-31.4%	17325.7
MSCI Asia Pac. Ex-Japan ($)	1.7%	-27.0%	-29.2%	459.6
Latin American Equities				
MSCI EMF Latin America ($)	-6.8%	3.3%	-0.9%	2200.5
Mexican Bolsa (peso)	1.5%	-2.5%	0.5%	51959.2
Brazilian Bovespa (real)	-5.0%	7.1%	4.3%	112253.5
Commodities ($)				
West Texas Intermediate Spot	-3.9%	15.5%	9.0%	89.0
Gold Spot Price	5.4%	-3.4%	-5.2%	1764.6
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	3.9%	-17.6%	-18.0%	438.6
JPMorgan Emerging Mkt Bond	2.7%	-19.9%	-20.4%	736.9
10-Year Yield Change (basis points*)				
US Treasury	-35	230	226	3.81%
UK Gilt	-18	238	243	3.35%
German Bund	-14	234	239	2.16%
Japan Govt Bond	-2	17	17	0.24%
Canada Govt Bond	-36	172	146	3.15%
Currency Returns**				
US$ per euro	3.9%	-9.0%	-9.6%	1.035
Yen per US$	-5.3%	20.6%	21.7%	138.81
US$ per £	4.0%	-12.6%	-11.5%	1.183
C$ per US$	-1.5%	5.0%	5.5%	1.328

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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