Weekly update
There's weakness in strength
December 23, 2022

The economy

- U.S. stock prices declined over the week ending December 23 as investors feared that stronger-than-expected gross domestic product (GDP) and labor market data reports would prompt the U.S. Federal Reserve to continue increasing interest rates for a longer period of time in an effort to tame inflation.
- The Department of Commerce reported that U.S. GDP rose at an annualized rate of 3.2% in the third quarter of 2022, up from its second estimate of 2.9% and a significant improvement from the 0.6% decrease in the second quarter. The government attributed the increase from the previous estimate to upward revisions to consumer spending and nonresidential fixed investment (corporate expenditures on commercial real estate, equipment and software), which were partly offset by a downward adjustment to private inventory investment (a measure of the changes in values of inventories from one time period to the next).
- According to the Department of Labor, initial unemployment insurance claims increased by 2,000 to a lower-than-expected total of 216,000 during the week ending December 17. The four-week moving average of initial claims fell by 6,250 to 221,750, remaining slightly below the moving average of 229,000 claims for the same period a year earlier. The continued tightness in the job market has forced employers to increase compensation in an effort to retain current employees and attract qualified new workers, which ultimately could weigh on corporate earnings.
- The Conference Board Leading Economic Index® (LEI) for the U.S. decreased 1.0% to 113.5% in November following a 0.9% decline in October. Furthermore, the LEI was down 3.7% for the previous six-month period. The indicators for the labor market, manufacturing and housing all declined in November, signaling a possible slowdown in economic growth.
- The National Association of Realtors reported that sales of existing homes in the U.S. fell 7.7% to an adjusted annual rate of 4.1 million in November—the tenth consecutive monthly decline and the lowest sales volume since May 2020. Home sales tumbled 35.4% year over year in November. Inventory decreased 6.6% during the month, but rose 2.7% versus the same period in 2021. Rising interest rates are clearly taking a toll.
- Despite recent mixed data reports, consumers have become more optimistic about the U.S. economy this month. Following two consecutive monthly declines, the Conference Board's Consumer Confidence Index® came in at 108.3 for December—up 6.9 points from November's reading and its highest level since April of this year. Furthermore, the Present Situation Index, which reflects U.S. consumers' views of current conditions in the business and labor markets, jumped 8.9 points month over month to 147.2. Additionally, the Expectations Index, which is an indicator of consumers' short-term outlook for income, business, and labor market conditions, climbed from 76.7 to 82.4. Nonetheless, the index remains near 80—implying that consumers remain concerned about a recession.

Stocks

- Global equities saw mixed performance for the week. Emerging markets fared better than developed markets.
- U.S. equities were in negative territory. Energy and utilities were the top performers, while consumer discretionary and information technology lagged. Value stocks led growth stocks and small caps beat large caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 3.75% during the week.
- Global bond markets were in negative territory this week.
- Government bonds led, followed by high-yield bonds and corporate bonds.

The Numbers as of December 23, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.3%	-19.9%	-19.3%	604.4
MSCI EAFE ($)	0.5%	-16.7%	-15.9%	1946.5
MSCI Emerging Mkts ($)	0.7%	-21.7%	-21.0%	964.1
US & Canadian Equities				
Dow Jones Industrials ($)	0.9%	-8.6%	-7.6%	33203.9
S&P 500 ($)	-0.2%	-19.3%	-18.6%	3844.8
NASDAQ ($)	-1.9%	-32.9%	-32.9%	10497.9
S&P/ TSX Composite (C$)	0.3%	-8.1%	-8.1%	19506.7
UK & European Equities				
FTSE All-Share (£)	1.8%	-3.0%	-2.6%	4083.7
MSCI Europe ex UK (€)	0.5%	-14.5%	-13.7%	1487.8
Asian Equities				
Topix (¥)	-2.7%	-4.7%	-4.6%	1897.9
Hong Kong Hang Seng ($)	0.7%	-16.3%	-15.5%	19593.1
MSCI Asia Pac. Ex-Japan ($)	0.2%	-19.1%	-18.3%	509.3
Latin American Equities				
MSCI EMF Latin America ($)	4.7%	0.7%	2.8%	2145.3
Mexican Bolsa (peso)	2.0%	-4.9%	-3.8%	50639.4
Brazilian Bovespa (real)	6.7%	4.7%	4.6%	109746.3
Commodities ($)				
West Texas Intermediate Spot	7.0%	3.2%	7.8%	79.5
Gold Spot Price	0.5%	-1.6%	-0.6%	1797.4
Global Bond Indices ($)				
Barclays Global Aggregate ($)	-0.6%	-15.8%	-15.7%	448.5
JPMorgan Emerging Mkt Bond	-0.5%	-15.7%	-15.5%	775.0
10-Year Yield Change (basis points*)				
US Treasury	26	224	226	3.75%
UK Gilt	31	267	271	3.63%
German Bund	25	258	265	2.39%
Japan Govt Bond	13	31	32	0.39%
Canada Govt Bond	36	175	173	3.17%
Currency Returns**				
US$ per euro	0.3%	-6.6%	-6.3%	1.062
Yen per US$	-2.7%	15.4%	16.1%	132.85
US$ per £	-0.8%	-10.9%	-10.1%	1.205
C$ per US$	-0.8%	7.6%	6.1%	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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