Weekly update
Stocks celebrate into the New Year
January 6, 2023

The economy

- Following the downturn during the 2022 calendar year, U.S. equities gained ground and avoided a New Year's hangover during the first week of 2023. On Thursday, the release of stronger-than-expected unemployment insurance claims data reignited investors' concerns that the U.S. Federal Reserve (Fed) will continue to raise interest rates in an effort to combat inflation. However, the market rebounded sharply on Friday as the employment report for December indicated modest slowdowns in hiring and wage growth, spurring optimism that the data could lead the Fed to end its rate-hiking cycle sooner than anticipated.
- According to the Department of Labor, U.S. payrolls expanded by 223,000 in December—down from the 256,000 jobs added in November—and the unemployment rate dipped 0.1 percentage point to 3.5%. The leisure and hospitality and health care sectors saw the largest employment gains for the month. Average hourly earnings rose 0.3% in December and 4.6% for the same period a year earlier, but were smaller than the respective monthly and annual increases of 0.6% and 5.1% in November and over the previous 12-month period.
- The Department of Labor also reported that initial unemployment insurance claims decreased by 19,000 to 204,000 during the week ending December 31; the four-week moving average of initial claims fell by 6,750 to 213,750, slightly below the moving average of 220,750 claims for the same period in 2021. The tight 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 minutes of the Federal Open Market Committee's (FOMC) mid-December meeting, which the Fed released this week, revealed that several members expressed concerns about investors' optimism that the monetary policy-maker would end its rate-hiking cycle, which could make it more difficult to slow the economy and fight inflation. According to the meeting minutes, several FOMC members "emphasized that it would be important to clearly communicate that a slowing in the pace of rate increases was not an indication of any weakening of the Committee's resolve to achieve its price-stability goal or a judgment that inflation was already on a persistent downward path." The report also noted that the FOMC will "take into account a wide range of information, including readings on public health, labor market conditions, inflation pressures and inflation expectations, and financial and international developments."
- The Institute for Supply Management's Purchasing Managers' Index (PMI) of U.S. manufacturing activity was down 0.6 to 48.4 in December—its second straight monthly decline following 29 consecutive months of expansion. A PMI reading below 50 indicates contraction in the manufacturing sector. There was particular weakness in ISM's New Orders and Production indices, with the latter falling into contraction in December after experiencing growth each month since May 2020. On the positive side, the Employment Index rose 3.0 to 51.4—its highest level since August 2022.

Stocks

- Global equities closed higher for the week. Emerging markets fared better than developed markets.
- U.S. equities were in positive territory. Telecommunications and materials were the top performers, while healthcare and energy lagged. Value stocks led growth stocks and small caps beat large caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 3.56% during the week.
- Global bond markets were in positive territory this week.
- High-yield bonds led, followed by government bonds and corporate bonds.

The Numbers as of January 6, 2022	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.0%	2.0%	-17.0%	617.4
MSCI EAFE ($)	2.7%	2.7%	-14.1%	1995.8
MSCI Emerging Mkts ($)	3.4%	3.4%	-18.8%	988.7
US & Canadian Equities				
Dow Jones Industrials ($)	1.5%	1.5%	-7.2%	33630.6
S&P 500 ($)	1.4%	1.4%	-17.1%	3895.1
NASDAQ ($)	1.0%	1.0%	-29.9%	10569.3
S&P/ TSX Composite (C$)	2.2%	2.2%	-6.0%	19814.5
UK & European Equities				
FTSE All-Share (£)	3.3%	3.3%	-0.6%	4210.6
MSCI Europe ex UK (€)	5.0%	5.0%	-10.5%	1555.3
Asian Equities				
Topix (¥)	-0.8%	-0.8%	-6.1%	1875.8
Hong Kong Hang Seng ($)	6.1%	6.1%	-9.0%	20991.6
MSCI Asia Pac. Ex-Japan ($)	3.3%	3.3%	-15.8%	522.4
Latin American Equities				
MSCI EMF Latin America ($)	2.5%	2.5%	5.0%	2181.7
Mexican Bolsa (peso)	6.7%	6.7%	-2.5%	51730.5
Brazilian Bovespa (real)	-0.7%	-0.7%	7.3%	108963.7
Commodities ($)				
West Texas Intermediate Spot	-8.1%	-8.1%	-7.2%	73.8
Gold Spot Price	2.1%	2.1%	4.0%	1862.4
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	1.4%	1.4%	-14.1%	452.1
JPMorgan Emerging Mkt Bond	0.9%	0.9%	-14.4%	775.0
10-Year Yield Change (basis points*)				
US Treasury	-32	-32	184	3.56%
UK Gilt	-20	-20	231	3.47%
German Bund	-36	-36	227	2.21%
Japan Govt Bond	8	8	38	0.51%
Canada Govt Bond	-21	-21	139	3.09%
Currency Returns**				
US$ per euro	-0.6%	-0.6%	-5.8%	1.064
Yen per US$	0.7%	0.7%	14.0%	132.08
US$ per £	0.1%	0.1%	-10.6%	1.209
C$ per US$	-0.8%	-0.8%	5.6%	1.344

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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