Weekly update
Inflation is positively on a losing streak
January 13, 2023

The economy

- The U.S. equity market gained ground during the week ending January 13. Investors' optimism regarding generally positive inflation data offset their concerns about business and macroeconomic outlooks from several large banks. ("JPMorgan, Biggest US Banks Slip With Wobbly Economic Outlook." Bloomberg, January 13, 2023.)
- According to the Department of Labor, the U.S. Consumer Price Index (CPI) dipped 0.1% in December versus a 0.1% increase in November. The CPI's 6.5% gain over the previous 12-month period—the sixth consecutive month of an annual decline and the smallest year-over-year upturn since October 2021—was down from the 7.1% annual increase in November. Additionally, the Personal Consumption Expenditures (PCE) Index (the Fed's preferred inflation measure as it excludes volatile food and energy prices) rose 0.3% in December and 5.7% year over year, moderating from the 6.0% annual increase in November. The slowing inflation spurred investors' optimism that the central bank may not need to raise the federal funds rate as high as it had estimated in its most recent "Summary of Economic Projections", released in December.
- In a speech delivered at the Symposium on Central Bank Independence in Stockholm, Sweden, on Tuesday of this week, Fed Chair Jerome Powell reiterated the central bank's independence from political influence. Powell commented that "the case for monetary policy independence lies in the benefits of insulating monetary policy decisions from short-term political considerations." Many Republicans in the U.S. Congress have expressed their belief that the Fed is straying from its mandate by considering climate-related financial risks. ("Fed will not become a climate policymaker, says Jay Powell." Financial Times, January 10, 2023.) However, Powell downplayed these concerns, stating: "Decisions about policies to directly address climate change should be made by the elected branches of government and thus reflect the public's will as expressed through elections…We are not, and will not be, a 'climate policymaker'." He also emphasized that "restoring price stability when inflation is high can require measures that are not popular in the short term as we raise interest rates to slow the economy."
- The Department of Labor reported that initial unemployment insurance claims decreased by 1,000 to 205,000 during the week ending January 7. The four-week moving average of initial claims fell by 1,750 to 212,500, slightly below the moving average of 223,250 claims for the same period in 2022. The tight job market has forced employers to increase compensation in an effort to retain employees and attract new ones, which ultimately could weigh on corporate earnings.
- According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage dipped 0.15% to 6.33% during the seven-day period ending January 12. While the decline may provide relief to some prospective homebuyers, the 30-year rate is up 2.88% over the past 12 months, continuing to weigh on affordability.

Stocks

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

Bonds

- The 10-year U.S. Treasury note yield decreased to 3.50% during the week.
- Global bond markets were in positive territory this week.
- Corporate bonds led, followed by high-yield bonds and government bonds.

The Numbers as of January 13, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	2.7%	4.7%	-15.1%	634.0
MSCI EAFE ($)	3.3%	6.1%	-12.6%	2062.1
MSCI Emerging Mkts ($)	3.0%	6.5%	-19.4%	1018.3
US & Canadian Equities				
Dow Jones Industrials ($)	2.0%	3.5%	-5.0%	34302.6
S&P 500 ($)	2.7%	4.2%	-14.2%	3999.1
NASDAQ ($)	4.8%	5.9%	-25.2%	11079.2
S&P/ TSX Composite (C$)	2.8%	5.0%	-4.4%	20360.1
UK & European Equities				
FTSE All-Share (£)	1.9%	5.3%	0.4%	4291.4
MSCI Europe ex UK (€)	2.0%	7.1%	-8.0%	1586.6
Asian Equities				
Topix (¥)	1.5%	0.6%	-5.1%	1903.1
Hong Kong Hang Seng ($)	3.6%	9.9%	-11.0%	21738.7
MSCI Asia Pac. Ex-Japan ($)	2.9%	6.3%	-16.3%	537.7
Latin American Equities				
MSCI EMF Latin America ($)	4.8%	7.4%	3.9%	2286.8
Mexican Bolsa (peso)	3.5%	10.5%	-0.7%	53548.3
Brazilian Bovespa (real)	1.9%	1.2%	5.2%	111049.4
Commodities ($)				
West Texas Intermediate Spot	8.3%	-0.5%	-2.8%	79.9
Gold Spot Price	2.9%	5.1%	5.3%	1916.9
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	1.7%	3.1%	-13.3%	459.7
JPMorgan Emerging Mkt Bond	1.3%	2.2%	-12.7%	785.3
10-Year Yield Change (basis points*)				
US Treasury	-6	-38	179	3.50%
UK Gilt	-11	-30	226	3.36%
German Bund	-4	-40	226	2.17%
Japan Govt Bond	1	9	38	0.51%
Canada Govt Bond	-20	-41	119	2.90%
Currency Returns**				
US$ per euro	1.8%	1.2%	-5.4%	1.083
Yen per US$	-3.2%	-2.5%	11.9%	127.84
US$ per £	1.2%	1.2%	-10.7%	1.223
C$ per US$	-0.4%	-1.2%	7.0%	1.339

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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