Weekly update
Economy-sized worries weigh on the market
January 20, 2023

The economy

- U.S. stocks declined during the week ending January 20, as weaker-than-expected economic data and a U.S. Federal Reserve member's comments regarding the possibility of prolonged interest-rate hikes rekindled investors' concerns about the economy slipping into recession.
- The Department of Labor reported that the Producer Price Index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services, decreased 0.5% month over month in December. The PPI advanced 6.2% versus the same period a year earlier—its smallest annual increase since March 2021. Energy and food prices fell 7.9% and 1.2%, respectively, in December. Overall food costs declined during the month despite a 24.5% rise in egg prices due to an outbreak of avian flu.
- During an interview with the Wall Street Journal on Wednesday, St. Louis Federal Reserve President James Bullard commented that the central bank may need to raise the federal funds rate to a range of 5.25% to 5.50% this year—above the Fed's median rate of 5.1% cited in its "dot plot" of economic projections released in December—in an effort to stem a resurgence in inflation ("Stocks Fall After Weak Economic Data Revive Recession Fears." Wall Street Journal, January 18, 2023).
- According to the Census Bureau, U.S. retail sales—a gauge of consumer spending, which comprises more than two-thirds of gross domestic product (GDP)—fell 1.1% in December. Gasoline stations led the slump in sales due mainly to lower fuel prices. Furniture and home furnishings stores, as well as well as motor vehicle and parts dealers, also saw notable losses in sales for the month. Only the sporting goods, hobby, musical instrument, and book stores retail group posted an increase in sales, eking out a 0.1% gain. On the positive side, retail sales were up 6.0% for the 2022 calendar year, led by increases for nonstore retailers and food services and drinking places.
- Initial unemployment insurance claims decreased 15,000 to 190,000 during the week ending January 14, according to the Department of Labor. The four-week moving average of initial claims fell by 6,500 to 206,000—a decline of nearly 10% from the moving average of 228,250 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.
- The Mortgage Bankers Association (MBA) reported that mortgage applications in the U.S. increased 28% during the week ending January 13 compared to the previous seven-day period. However, while the MBA's Refinance Index rose 34% from the previous week, it was down 81% versus the same period in 2022. The MBA attributed the upturn in applications to the recent decline in mortgage rates. According to Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage dipped 0.18% to a four-month low of 6.15% during the seven-day period ending January 19, down from a peak of 7.08% in early November of last year.

Stocks

- Global equities closed lower for the week. Emerging markets fared better than developed markets.
- U.S. equities were in negative territory. Telecommunications and energy were the top performers, while industrials and utilities lagged. Growth stocks led value stocks and large caps beat small caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 3.48% during the week.
- Global bond markets were flat during the week.
- Corporate bonds led, followed by high-yield bonds and government bonds.

The Numbers as of January 20, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-0.3%	5.1%	-12.3%	636.4
MSCI EAFE ($)	0.0%	7.0%	-10.3%	2080.4
MSCI Emerging Mkts ($)	0.6%	8.4%	-17.5%	1036.2
US & Canadian Equities				
Dow Jones Industrials ($)	-2.7%	0.7%	-3.9%	33375.5
S&P 500 ($)	-0.7%	3.5%	-11.4%	3972.6
NASDAQ ($)	0.6%	6.4%	-21.3%	11140.4
S&P/ TSX Composite (C$)	0.7%	5.8%	-2.6%	20503.2
UK & European Equities				
FTSE All-Share (£)	-1.0%	4.3%	-0.6%	4250.1
MSCI Europe ex UK (€)	-0.3%	7.1%	-7.2%	1587.0
Asian Equities				
Topix (¥)	1.3%	1.9%	-0.6%	1926.9
Hong Kong Hang Seng ($)	1.4%	11.4%	-11.7%	22044.7
MSCI Asia Pac. Ex-Japan ($)	1.1%	8.8%	-13.7%	550.2
Latin American Equities				
MSCI EMF Latin America ($)	-0.7%	6.8%	1.1%	2273.5
Mexican Bolsa (peso)	0.7%	11.3%	2.7%	53947.0
Brazilian Bovespa (real)	1.0%	2.1%	2.7%	112040.6
Commodities ($)				
West Texas Intermediate Spot	1.8%	1.3%	-6.4%	81.3
Gold Spot Price	0.4%	5.6%	4.5%	1925.2
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.0%	3.3%	-12.5%	460.8
JPMorgan Emerging Mkt Bond	0.9%	3.4%	-11.1%	794.0
10-Year Yield Change (basis points*)				
US Treasury	-2	-40	168	3.48%
UK Gilt	1	-29	215	3.37%
German Bund	1	-39	220	2.17%
Japan Govt Bond	-13	-4	24	0.39%
Canada Govt Bond	-6	-46	101	2.84%
Currency Returns**				
US$ per euro	0.2%	1.4%	-4.0%	1.086
Yen per US$	1.4%	-1.2%	13.6%	129.60
US$ per £	1.4%	2.6%	-8.8%	1.240
C$ per US$	-0.1%	-1.3%	7.0%	1.338

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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