Weekly update
Stocks lose their early lead as bears rally

February 10, 2023

The economy

- After a strong start to the week leading up to the Super Bowl, U.S. stocks fumbled the ball, losing yardage for the week ending February 10. The market downturn stemmed from investors' worries that the U.S. Federal Reserve (Fed) will continue to raise interest rates for a longer period than previously anticipated, given the unexpectedly strong employment report released last week. (U.S. payrolls expanded by a greater-than-expected total of 517,000 jobs in January.)
- Fed Chair Jerome Powell's eyebrow-raising comments this week in response to the latest labor market data appeared to affirm investors' anxiety. During a discussion at the Economic Club of Washington, D.C. on Tuesday, Powell commented that taming inflation "is likely to take quite a bit of time. It's not going to be smooth. It's probably going to be bumpy. So we think we're going to have to do further [rate] increases, and we think we'll have to hold policy at a restrictive level for some time." (Fed's Jerome Powell Says Hiring Surge Shows Why Inflation Fight Could Be Difficult." The Wall Street Journal. February 7, 2023.)
- According to the Department of Labor, initial unemployment insurance (UI) claims rose 13,000 to 196,000 during the week ending February 4. However, the four-week moving average of initial claims fell by 2,500 to 189,250. While the most recent data indicate that the tight job market may be starting to cool, the four-week moving average for initial UI claims notably lagged the total of 216,750 for the same four-week period in 2022. Should UI claims and the unemployment rate remain at relatively low levels in the near term, the Fed may have less incentive to end its rate-hiking cycle.
- The Fed reported that U.S. consumer credit rose 7.8% during the 2022 calendar year. Revolving (e.g., credit cards and variable-rate lines of credit) and non-revolving (e.g., fixed-term loans such as mortgages and auto loans) credit were up 14.8% and 5.6% for the year, respectively. The credit data may prove to be a double-edged sword. On the positive side, the numbers indicate that consumer spending remained robust in 2022. On the other hand, should the U.S. economy slip into recession, the high level of consumer debt could lead to delinquencies in credit payments and a rise in personal bankruptcy filings.
- According to the Mortgage Bankers Association, new mortgage applications rose 7.4% over the seven-day period ending February 3, despite a slight uptick in mortgage rates. Freddie Mac reported that the average interest rate on a 30-year fixed-rate mortgage edged up 0.03% to 6.12% during the week ending February 9—the first increase in five weeks. While the notable decline in mortgage rates since early November has provided relief to some prospective homebuyers, the 30-year rate is still up 2.57% over the past 12 months, continuing to weigh on affordability.

Stocks

- Global equities closed lower for the week. Developed markets fared better than emerging markets.
- U.S. equities were in negative territory. Energy and healthcare were the top performers, while telecommunications and consumer discretionary lagged. Value stocks led growth stocks and large caps beat small caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 3.74% during the week.
- Global bond markets retreated during the week.
- Government bonds led, followed by high-yield bonds and corporate bonds.

The Numbers as of February 10, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-1.1%	7.2%	-10.6%	649.0
MSCI EAFE ($)	-0.3%	8.7%	-8.1%	2112.7
MSCI Emerging Mkts ($)	-1.4%	7.1%	-18.1%	1024.5
US & Canadian Equities				
Dow Jones Industrials ($)	-0.2%	2.2%	-3.9%	33869.3
S&P 500 ($)	-1.1%	6.5%	-9.2%	4090.5
NASDAQ ($)	-2.4%	12.0%	-17.4%	11718.1
S&P/ TSX Composite (C$)	-0.7%	6.3%	-4.3%	20612.1
UK & European Equities				
FTSE All-Share (£)	-0.6%	5.8%	0.4%	4312.9
MSCI Europe ex UK (€)	-0.5%	9.7%	-3.0%	1624.5
Asian Equities				
Topix (¥)	0.8%	5.0%	1.2%	1987.0
Hong Kong Hang Seng ($)	-2.2%	7.1%	-15.0%	21190.4
MSCI Asia Pac. Ex-Japan ($)	-1.0%	8.4%	-13.1%	548.3
Latin American Equities				
MSCI EMF Latin America ($)	-2.6%	3.2%	-7.3%	2196.0
Mexican Bolsa (peso)	-2.8%	8.4%	-0.2%	52514.6
Brazilian Bovespa (real)	-0.4%	-1.5%	-4.7%	108080.3
Commodities ($)				
West Texas Intermediate Spot	8.6%	-0.7%	-11.3%	79.7
Gold Spot Price	-0.1%	2.1%	1.4%	1861.8
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-1.0%	2.5%	-11.5%	456.9
JPMorgan Emerging Mkt Bond	-1.4%	2.7%	-10.8%	789.0
10-Year Yield Change (basis points*)				
US Treasury	22	-13	171	3.74%
UK Gilt	34	-27	187	3.39%
German Bund	17	-20	208	2.36%
Japan Govt Bond	1	8	27	0.50%
Canada Govt Bond	23	-14	121	3.16%
Currency Returns**				
US$ per euro	-1.1%	-0.3%	-6.6%	1.068
Yen per US$	0.2%	0.2%	13.3%	131.43
US$ per £	0.0%	-0.2%	-11.1%	1.206
C$ per US$	-0.4%	-1.5%	4.9%	1.335

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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