Weekly update
Little love for U.S. stocks

February 17, 2023

The economy

- During the week ending February 17, which included Valentine's Day, investors did not show much love for U.S. stocks. Equity prices wobbled before ending the period with modest losses. Several key economic reports contributed to market volatility. The week's performance reflected concerns that January's underwhelming downtick in year-over-year inflation would prompt the Federal Reserve (Fed) to extend its interest rate-hiking cycle, albeit at a potentially less aggressive pace than in 2022.
- Inflation data sent mixed signals. In January, the U.S. Department of Labor's consumer-price index (CPI) accelerated on a monthly basis (rising by 0.5% compared to 0.1% in December)—but recorded its smallest annual gain since October 2021 as it slowed to 6.4% year over year from 6.5% in December. Housing costs contributed significantly to inflation both for the month and for 2022 as a whole. Food and energy prices (particularly gasoline) rose sharply during the month. Core inflation, as measured by the CPI for all items except food and energy, rose in January by 0.4% for the month and 5.6% year over year.
- U.S. wholesale prices climbed in January by a greater-than-expected 0.7% for the month, largely on surging gas prices, after declining by 0.2% in December, according to the Department of Labor's producer-price index (PPI), which tracks the average change over time in selling prices received by domestic producers of goods and services. However, the rate of increases slowed year over year to a rate of 6.0% in January from 6.4% in the prior month. Gasoline prices climbed 6.2% in January, while prices for residential natural gas, diesel fuel, jet fuel, soft drinks, and motor vehicles also increased. Conversely, prices for fresh and dry vegetables decreased over the month.
- Shortly after the release of the PPI report on Thursday of this week, Federal Reserve Bank of Cleveland President Loretta Meister stated her view that the federal-funds rate must surpass 5% in order to bring inflation down to the central bank's 2% target rate. In light of this assessment, she claims to have seen "a compelling economic case" for a 50 basis point increase at the Fed's meeting earlier in the month.
- According to the Census Bureau, U.S. retail sales—a gauge of consumer spending that comprises more than two-thirds of gross domestic product (GDP)—rose in January by 3.0% for the month and 6.4% year over year. All 13 retail categories achieved sales growth for the month, with the largest gains in food services and drinking places, motor vehicle and parts dealers, and furniture and home furnishings stores. Annual growth was strongest in food services and drinking places, while sporting goods, hobby, musical instrument, and book stores also performed well. Conversely, sales for electronics and appliance stores declined over the previous 12-month period.

Stocks

- Global equities closed higher for the week. Developed markets fared better than emerging markets.
- U.S. equities were in negative territory. Consumer discretionary and utilities were the top performers, while energy and materials lagged. Growth stocks led value stocks and small caps beat large caps.

Bonds

- The 10-year U.S. Treasury note yield increased to 3.81% during the week.
- Global bond markets retreated during the week.
- High-yield bonds led, followed by corporate bonds and government bonds.

The Numbers as of February 17, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.2%	7.1%	-8.6%	648.1
MSCI EAFE ($)	0.5%	7.8%	-7.1%	2096.1
MSCI Emerging Mkts ($)	-0.2%	5.7%	-18.6%	1011.1
US & Canadian Equities				
Dow Jones Industrials ($)	-0.1%	2.0%	-1.4%	33826.7
S&P 500 ($)	-0.3%	6.2%	-6.9%	4078.6
NASDAQ ($)	0.6%	12.6%	-14.1%	11787.3
S&P/ TSX Composite (C$)	-0.5%	5.8%	-3.1%	20514.1
UK & European Equities				
FTSE All-Share (£)	1.3%	7.2%	3.7%	4370.3
MSCI Europe ex UK (€)	1.9%	10.4%	-0.3%	1635.7
Asian Equities				
Topix (¥)	0.3%	5.3%	3.1%	1991.9
Hong Kong Hang Seng ($)	-2.2%	4.7%	-16.4%	20719.8
MSCI Asia Pac. Ex-Japan ($)	-0.9%	6.2%	-14.4%	536.8
Latin American Equities				
MSCI EMF Latin America ($)	2.6%	6.1%	-5.0%	2258.5
Mexican Bolsa (peso)	2.5%	11.0%	2.1%	53801.1
Brazilian Bovespa (real)	1.0%	-0.5%	-3.8%	109201.7
Commodities ($)				
West Texas Intermediate Spot	-4.2%	-4.9%	-16.8%	76.3
Gold Spot Price	-1.1%	0.9%	-3.0%	1840.9
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.9%	0.9%	-12.8%	449.7
JPMorgan Emerging Mkt Bond	-0.5%	1.3%	-11.4%	778.3
10-Year Yield Change (basis points*)				
US Treasury	8	-6	185	3.81%
UK Gilt	12	-15	205	3.51%
German Bund	8	-13	221	2.44%
Japan Govt Bond	1	9	28	0.51%
Canada Govt Bond	14	-1	137	3.29%
Currency Returns**				
US$ per euro	0.2%	-0.1%	-5.9%	1.070
Yen per US$	2.1%	2.3%	16.7%	134.17
US$ per £	-0.1%	-0.3%	-11.5%	1.205
C$ per US$	1.0%	-0.6%	6.0%	1.347

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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