



July 15, 2022

### Weekly Recap

The financial markets remained volatile as investors reacted to earnings reports and several key economic releases. Equity markets were generally softer on balance with continuing worries over inflation and concerns that an aggressive Federal Reserve will cause a recession. Several Fed officials speaking publicly before the blackout period ahead of the Fed's FOMC meeting scheduled for late July set a hawkish tone confirming its resolve to contain inflation. The Fed's concern seems warranted as the news on inflation continued to get worse, with the Consumer Price Index (CPI) rising 1.3% from May to June, above consensus expectations of 1.1%. The CPI rose 9.1% year-over-year after an 8.6% increase in May. Investors had been hoping to see some cooling of inflationary pressures, but gasoline, energy, and food components continue to cause inflation to accelerate. Even excluding the volatile food and energy components, core inflation was higher than estimates and grew 5.9% year-over-year. Equities rallied toward the end of the week on the retail sales data that was stronger than expected, up 1.0% in June from the previous month, and a University of Michigan report indicating that consumer 5-year inflation expectations fell from 3.2% to 2.8%. Earnings reports from the large banks were mixed but generally well received. Notably, the yield curve further inverted last week, with yields at the 30-year tenor dropping from 3.11% to 2.93%. The bond market and declining commodity prices appear to signal the heightened possibility of a recession.

### Key Thought for The Week

The financial markets were focused on second-quarter earnings reports and new inflation data this past week. The Fed's Beige Book, which provides a summary and analysis of economic conditions from across the various regions of the country, was also released. The report highlighted the increased risk of recession and characterized economic growth as "modest." Several Fed Districts reported growing signs of a slowdown in demand with weakening consumer spending. Despite the recession risk, the commentary at the previous FOMC meeting was focused on whether the Fed should raise rates by 75 or 100 basis points. Investors need to be aware that the Fed is acutely focused on inflation and it is willing to sacrifice economic growth in order to drive inflation down.

7/15/2022

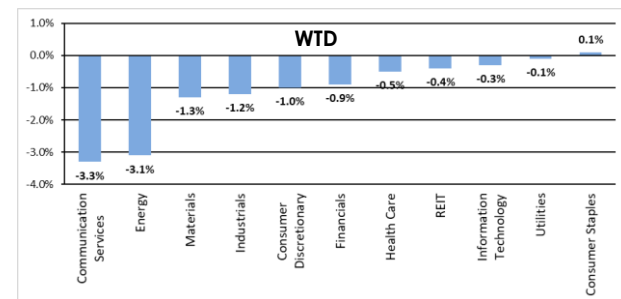
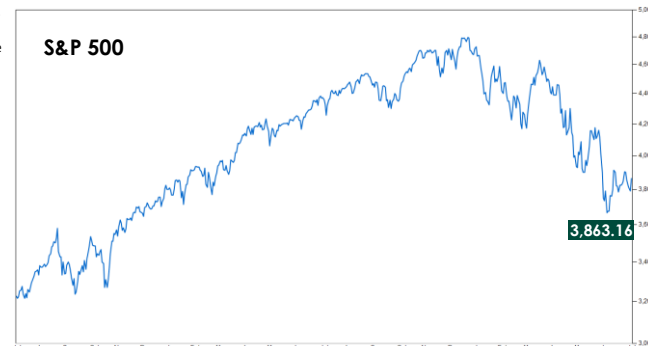
STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	31,288.26	-49.89	-0.16	2.11	-13.90	-10.57
S&P 500	3,863.16	-36.22	-0.93	1.60	-18.95	-11.40
NASDAQ	11,452.42	-182.89	-1.57	0.88	-26.80	-21.25
S&P MidCap 400	2,302.56	-17.83	-0.77	1.80	-18.98	-13.06
EAFE	1,784.89	-64.59	-3.49	3.52	-23.59	-22.80
Emerging Market	965.45	-34.12	-3.41	3.08	-21.64	-28.40

TREASURIES	Yield	FOREX	Price	Wk % Change
2-Year	3.13	Euro/Dollar	1.01	-3.00
5-Year	3.05	Dollar/Yen	138.59	1.85
10-Year	2.93	GBP/Dollar	1.19	-1.46
30-Year	3.10	Dollar/Cad	1.30	0.61

Source: FactSet/Bloomberg

Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	758.09	0.8633	0.1%	1.1%	1.1%	(5.8%)
Health Care	1517.51	-7.0311	(0.5%)	1.6%	1.6%	(7.7%)
CommServices	190.09	-6.40507	(3.3%)	2.2%	2.2%	(28.9%)
<b>Eco Sensitive</b>						
Consumer Disc	1136.97	-11.9994	(1.0%)	5.5%	5.5%	(29.4%)
Energy	524.27	-16.6017	(3.1%)	(4.0%)	(4.0%)	24.0%
Industrials	734.53	-8.98154	(1.2%)	(0.5%)	(0.5%)	(17.9%)
Info Tech	2317.03	-7.7178	(0.3%)	4.2%	4.2%	(24.2%)
Materials	453.29	-6.06867	(1.3%)	(2.1%)	(2.1%)	(20.4%)
<b>Interest Rate Sensitive</b>						
Financials	528.83	-4.81355	(0.9%)	1.0%	1.0%	(18.6%)
Utilities	354.46	-0.35485	(0.1%)	(0.6%)	(0.6%)	(2.5%)
REIT	256.87	-1.148	(0.4%)	0.4%	0.4%	(20.9%)

COMING UP NEXT WEEK		Consensus	Prior
07/19	Housing Starts SAAR	(Jun) 1,585K	1,549K
07/20	Existing Home Sales SAAR	(Jun) 5,360K	5,410K
07/21	Philadelphia Fed Index SA	(Jul) -4.0	-3.3
07/21	Leading Indicators SA M/M	(Jun) -0.40%	-0.40%
07/22	Markit PMI Manufacturing SA (Preliminary)	(Jul) 51.5	52.7
07/22	Markit PMI Services SA (Preliminary)	(Jul) 53.0	52.7



### Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(2.9%)	(3.0%)	(3.0%)	Large	(15.0%)	(21.5%)	(27.2%)
Medium	(2.7%)	(3.2%)	(4.2%)	Medium	(17.8%)	(22.5%)	(31.0%)
Small	(3.0%)	(3.5%)	(4.0%)	Small	(18.6%)	(24.0%)	(29.3%)

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