

Weekly market update



Chart of the week (Nov. 4, 2022)

Job Openings: Total Nonfarm



As we think about inflation going forward and, more importantly consider how the Fed thinks about inflation, the labor market is a key variable in how we move forward. There are many aspects of the inflation picture where the Fed has no control, including items like food, energy, and global goods. Still, the domestic economy is driven primarily by the U.S. consumer, and employment, wages and rents are material parts of longer-term inflation.

As a result, the Fed is watching several data points that help give us insight into the health of the employment market. Friday morning, the monthly employment data was reported, showing job growth of 261,000 while the headline unemployment rate increased to 3.7%. In addition, wage growth within the employment data was slightly higher at 0.4%, which annualizes to 4.5%.

Another key data point is the monthly Job Opening and Labor Turnover Survey (JOLTS) where we can see the number of job openings as well as information on people quitting and getting hired. Our chart this week focuses on the job openings data within this week's JOLTS release. Currently, there are over 10 million open jobs against only 6 million people who are unemployed. The point is not that there is a job for every unemployed person, as there will always be skill-set of geographical differences between the two, but this does reflect a job market that remains very robust. Within this environment, we expect the Fed to remain on a path to raise rates as they work to reduce demand leading to slower job growth and hopefully lower inflation pressures moving forward.

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Commentary (Nov. 4, 2022)

Domestic Equities

- U.S. stocks ended a volatile week with losses as the market works to digest conflicting messages on interest rates, earnings and jobs.
- On Wednesday, the Fed raised its benchmark interest rate by 0.75% as expected to combat inflation. Chairman Powell indicated they still have a ways to go. They will likely keep raising rates in smaller increments but may have to raise rates to higher levels than previously expected.
- As earnings season nears an end, the S&P 500 delivered about 7-8% EPS growth, well ahead of the 2% expectations. Energy contributed meaningfully with 120% earnings growth.
- Stocks initially surged Friday as the U.S. jobs report exceeded expectations, indicating the labor market remains strong. Stocks quickly fell as the market digested the news, which indicates to the Fed they have not been able to put a dent in inflation.

Bonds

- It was a busy week for major global central banks, with the Federal Reserve, Bank of England, Norges Bank and the Bank of Australia all hiking policy rates this week.
- The Federal Reserve hiked the target Fed Funds Rate by 0.75% to 3.75-4%. The FOMC statement hinted at the need for additional hikes, but possibly at a slower pace. However, during the post-FOMC press conference, Chair Powell pushed back against any dovish interpretation of possibly slowing the pace of hikes by indicating that the terminal rate could be higher than the rate implied by the Sept. dot plot and his preference to err on the side of over-tightening vs under-tightening.
- Global central bank policy action and higher-than-expected refunding needs by the U.S. Treasury in 4Q22, pushed U.S. government bond yields higher, with the short-end experiencing the biggest jump in yields.

International Equities

- Global central banks were a major focus this week as they continued aggressive monetary tightening in a bid to rein in inflation. Investors remain fixated on any indications about the pace and magnitude of future interest rate moves and how that might impact the global economy.
- Foreign developed markets moved higher this week, with most markets across Europe and the Pacific markets posting gains. European economies continue to face challenges as Euro-area manufacturing activity sank to the lowest level since the first COVID lockdowns in 2020. All the regions' largest economies except Ireland saw the downturn deepen in October.
- Emerging market stocks rebounded this week with strong gains in markets throughout Latin America and Asia. Sentiment towards Chinese stocks shifted this week as persistent, but unverified rumors suggest that the country may exit its strict COVID-Zero policy.

Economics

- The Bureau of Labor Statistics (BLS) reported total non-farm payroll employment showed slowing growth, increasing 261k in Oct., a decrease of 54k from Sept. The healthcare and leisure and hospitality sectors showed the largest increase in the month.
- Additionally, the BLS reported the unemployment rate (U-3) increased to 3.7%, an increase of 0.2%. The labor force participation rate slightly declined by 0.1% to 62.2%.
- Finally, the BLS Job Openings and Labor Turnover Summary indicated job openings rose 437k to 10.7m openings as the last business day in Sept. Job openings in accommodation and food services (+215k) and health care and social assistance (+115k) were the primary reason for the gains.
- The Consumer Price Index for October will be released on Thursday.

Weekly Market Update

For Week Ending November 04, 2022

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	32,403.22	-1.4%	-9.3%	-8.5%
S&P 500 Index	3,770.55	-3.3%	-19.8%	-18.2%
NASDAQ	10,475.25	-5.6%	-32.6%	-33.7%
S&P 400 Midcap Index	2,405.74	-1.2%	-14.2%	-15.2%
S&P 600 Smallcap Index	1,171.36	-2.1%	-15.4%	-17.2%
MSCI EAFE	5,981.32	1.2%	-21.8%	-22.9%
MSCI Emerging Markets	448.02	4.7%	-26.1%	-28.0%
Bloomberg US Agg	1,977.76	-0.8%	-16.0%	-16.2%
Bloomberg Municipal 5 Yr	454.53	0.2%	-8.1%	-7.9%
Bloomberg US Corporate	2,825.83	-0.6%	-19.8%	-20.0%
Bloomberg Gbl Agg ex US Hdq	520.59	-0.7%	-9.9%	-10.0%
Bloomberg High Yield	2,135.57	-1.2%	-13.2%	-12.7%
MSCI US REIT Index	1,884.87	-1.8%	-26.5%	-21.5%
Bloomberg Commodity Index	254.42	5.2%	20.1%	16.1%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.00%	3.25%	0.25%	0.25%
3-Month Treasury	4.10%	4.05%	0.06%	0.03%
1-Year Treasury	4.71%	4.53%	0.39%	0.14%
2-Year Treasury	4.66%	4.41%	0.73%	0.42%
5-Year Treasury	4.33%	4.18%	1.26%	1.11%
7-Year Treasury	4.25%	4.10%	1.44%	1.38%
10-Year Treasury	4.16%	4.01%	1.52%	1.53%
30-Year Treasury	4.25%	4.14%	1.90%	1.96%

Consumer Rates

1-Year CD	5.38%	5.37%	0.57%	0.30%
30-Year Mortgage	7.29%	7.14%	3.27%	3.17%
Prime Rate	7.00%	6.25%	3.25%	3.25%
3-Month LIBOR	4.55%	4.44%	0.21%	0.14%

Commodities

Gold	1,681.87	1,644.86	1,829.20	1,792.04
Crude Oil (WTI)	92.61	87.90	72.78	69.91
Gasoline	3.86	3.89	3.38	3.48
Natural Gas	6.40	5.68	3.64	4.34
Copper	3.69	3.43	4.43	4.26

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	17.71	18.60	4.34	2.15
S&P 500	16.97	18.22	3.80	1.75
S&P 500 Value	15.17	16.26	2.82	2.33
S&P 500 Growth	19.71	21.22	6.45	1.06
NASDAQ	14.93	15.64	3.67	2.13
S&P Midcap 400	13.04	14.20	2.23	1.71
S&P Smallcap 600	12.76	13.75	1.73	1.50
MSCI EAFE	11.89	12.39	1.51	3.56
MSCI Emerging Markets	10.82	9.96	1.34	3.60

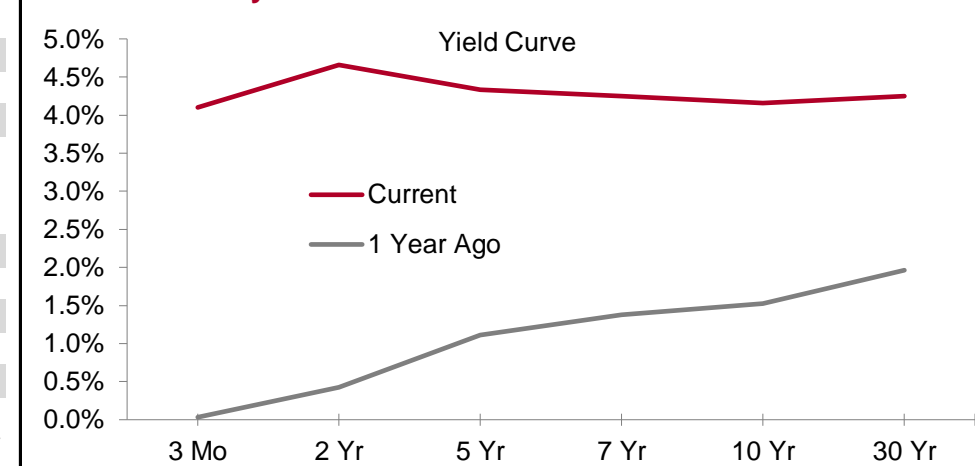
Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	4.66	-0.41	-5.79	> 10%	-7.63	-19.85	-30.73
Mid	4.17	2.22	0.15	0% - 10%	-8.37	-14.24	-19.99
Small	5.79	3.34	0.55	< 0%	-9.80	-15.42	-21.02

*S&P Indices

Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	-0.60	-1.52	-8.06	> 10%	-4.85	-9.44	-33.66
Corp	-0.73	-2.83	-5.20	0% - 10%	-4.99	-19.75	-31.40
HY	0.29	0.00	-2.29	< 0%	-5.38	-12.52	-25.88

*Bloomberg Barclays Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	8.2%	5.4%
CPI Core Inflation	6.6%	4.0%
Personal Consumption Exp (PCE) Core	5.1%	3.9%

Jobs

Unemployment Rate (U3)	3.7%	4.6%
Broader Unemployment Rate (U6)	6.8%	8.2%
JOLT Survey (in millions)	10.72	10.67
Jobless Claims (000's)	217	280
Change in Non-Farm Payroll (000's)	261	677
Average Hourly Earnings (Y/Y % Change)	4.7%	5.4%

Consumer & Spending

Consumer Confidence (Conf Board)	102.5	111.6
Consumer Spending (\$ Bil)	17,608	16,268
Consumer Credit (\$ Bil)	4,680	4,332
Retail Sales (\$ Bil)	684	632

Housing

Housing Starts (000's)	1,439	1,559
Case-Shiller Home Price Index	303.76	268.84

U.S. Productivity

Real Gross Domestic Product (\$ Bil)	20,022	19,673
Quarter over Quarter Change	2.6%	2.7%
Year Over Year Change	1.8%	5.0%
ISM Manufacturing	50.20	60.80
Capacity Utilization	80.34	77.45
Markit US Composite PMI	48.20	57.60

U.S. General

Leading Economic Indicators	115.9	117.6
Trade Weighted Dollar Index	126.9	114.4
EUR / USD	1.00	1.16
JPY / USD	148.26	113.76
CAD / USD	0.74	0.80
AUD / USD	0.65	0.74

S&P 500 Sector Returns

	1 Month	YTD
Energy	15.23%	71.03%
Utilities	-2.58%	-4.18%
Consumer Staples	4.28%	-5.02%
Health Care	3.44%	-6.04%
Industrials	7.66%	-8.97%
Financials	4.88%	-11.84%
Materials	3.61%	-15.42%
Real Estate	-2.92%	-28.58%
Information Technology	-4.46%	-30.20%
Consumer Discretionary	-8.39%	-33.33%
Communication Services	-10.92%	-42.53%

Source: Bloomberg

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