

Weekly Market Recap

October 10, 2022

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	3,640	1.5%	-23.6%
Dow Jones Industrial Average	29,297	2.0%	-19.4%
NASDAQ	10,652	0.7%	-31.9%
Russell 2000 [®] Index	1,702	2.3%	-24.2%
MSCI EAFE Index	1,718	3.4%	-26.4%
Ten-Year Treasury Yield	3.89%	0.1%	2.3%
Oil WTI ¹ (\$/bbl ²)	\$92.52	16.4%	23.0%
Bonds ³	\$95.82	-0.5%	-14.2%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

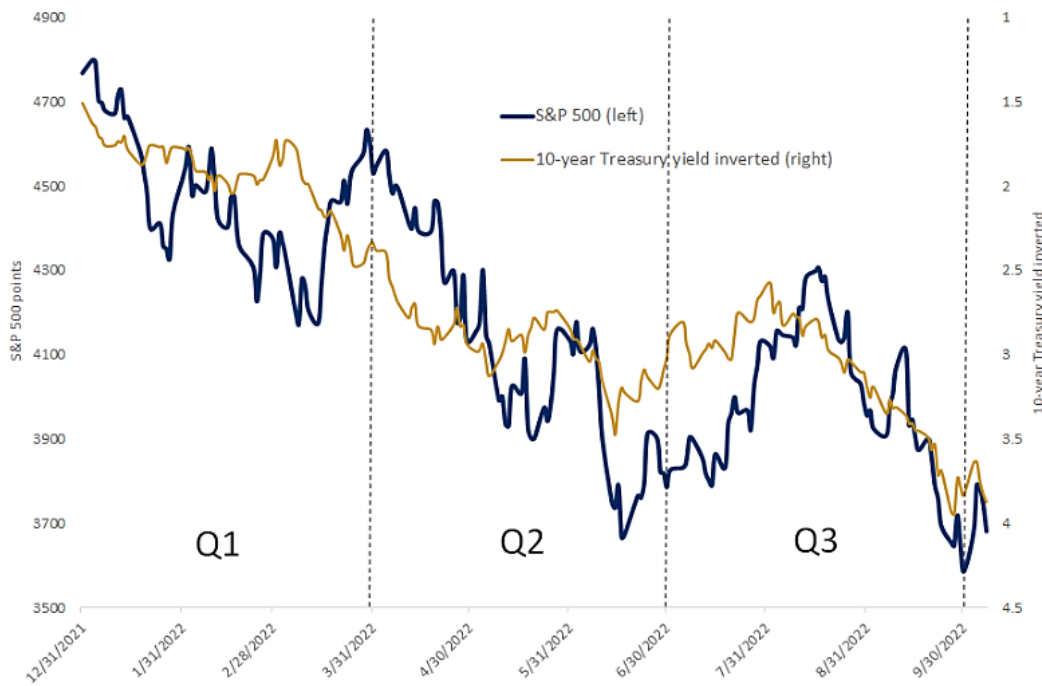
Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rallied strongly early in the week from oversold conditions and depressed sentiment, but declined in the second half for the S&P 500 Index to finish at +1.5%. The Reserve Bank of Australia rose rates by only 25 basis points (bps) (less than the 50 bps expected by analysts), which contributed to the narrative that the U.S. Federal Reserve (Fed) may ‘pause’ or ‘pivot’ its aggressive tightening cycle. Additionally, the Institute of Supply Management (ISM) manufacturing index was weaker than expected, with the employment component falling into contraction and prices paid declining sequentially again. However, the Fed’s comments maintained the raise-and-hold/higher-for-longer messaging and pushed back against expectations for rate cuts in 2023. The ten-year yield rose 9 bps to 3.89%. The dollar index gained +0.6%, gold was higher by +2.2%, and WTI rallied +16.4%.
- S&P 500 Index Sector Returns (Price Return):
 - Energy (+13.9%) rallied, as the price of WTI rose +16.4%.
 - Industrials (+2.9%) rose, with strength in aerospace and defense, airlines, and transports.
 - Materials (+2.2%) outperformed, with strength in precious metals companies.
 - Financials (1.8%) rose, led by asset managers and banks.
 - Technology (+1.6%) rose, led by software, digital payment, and high-valuation stocks.
 - Communication services (+1.5%) rose, led by internet and traditional media stocks.
 - Healthcare (+1.3%), consumer staples (-0.4%), and utilities (-2.6%) underperformed, as investors favored less defensive stocks.
 - Consumer discretionary (-1.1%) fell, led lower by Tesla (Elon Musk agreed to buy Twitter), and partially offset by strength in travel stocks, autos, retail, and **Amazon** (+1.4%).
 - Real estate investment trusts (REITs) (-3.9%) underperformed, led lower by cell towers and data centers.

- In 2022, the Fed drove rates higher in order to fight inflation and reduce overall demand, which also contributed to the decline in equities.

The surge in bond yields has driven equities lower - Looking for signs of a peak



Sources: Edward Jones; Bloomberg L.P.

- Goldman Sachs provided two possible paths for the S&P 500 Index in the chart below: soft vs. hard landing scenarios.

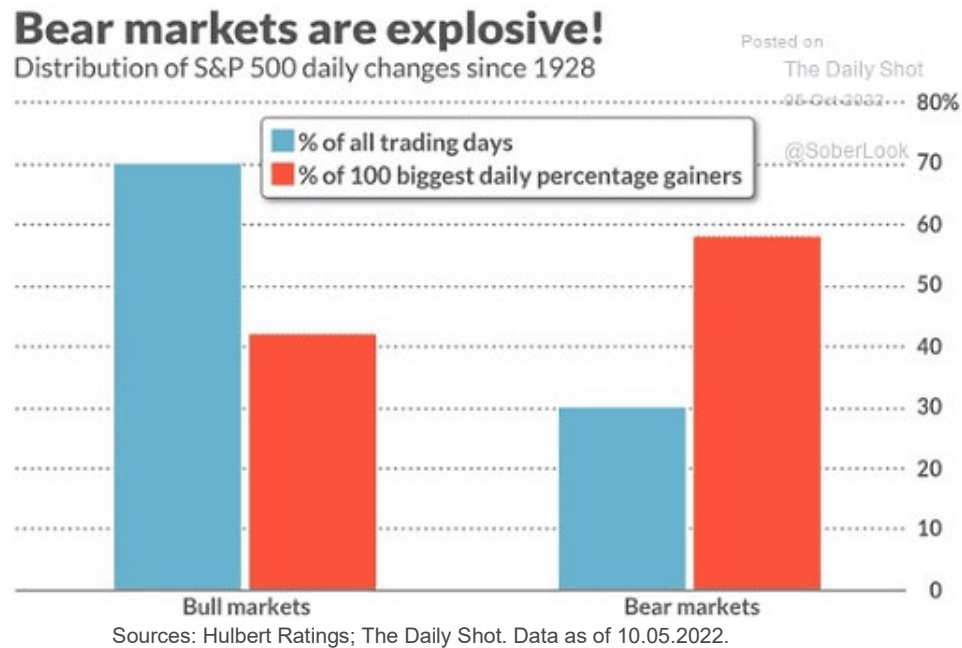
Goldman Sachs Path of S&P 500: Soft vs. Hard landing scenarios
 S&P 500 falls to 3600 in soft landing, but 3150 if investors price hard landing
 06-Oct-2022



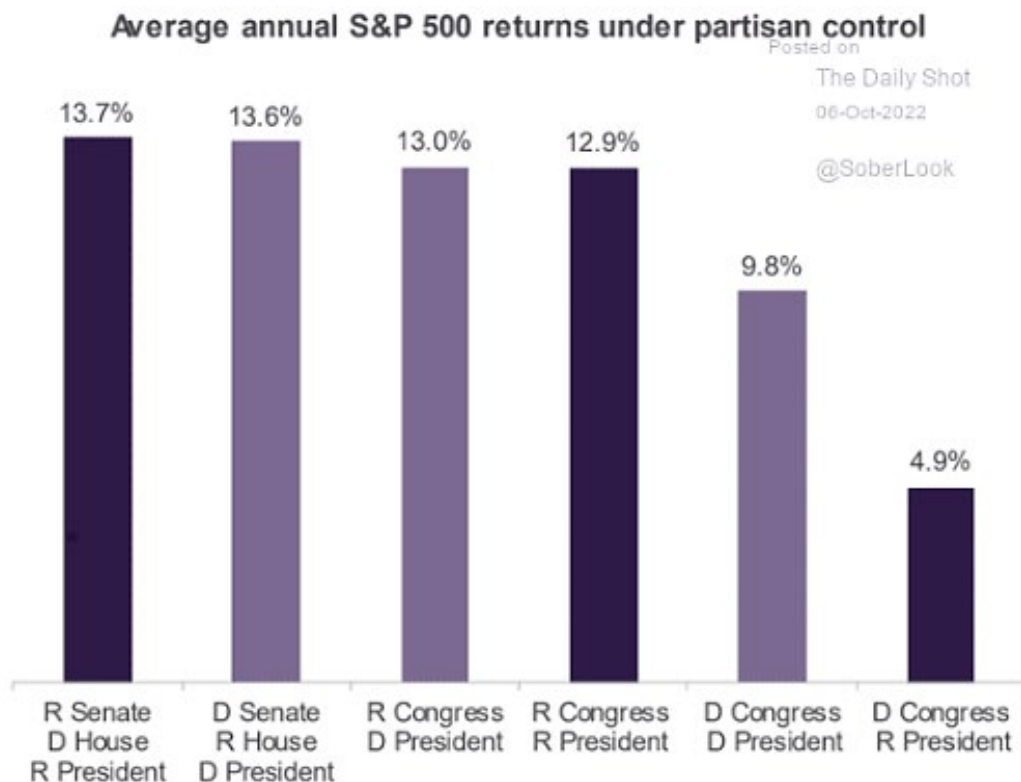
Source: Goldman Sachs, The Daily Shot. Data as of 10.06.2022.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 7.

- The chart below shows that bear markets historically experienced nearly 60% of the 100 biggest daily percentage gainers, even though bear markets only represent 30% of all trading days.



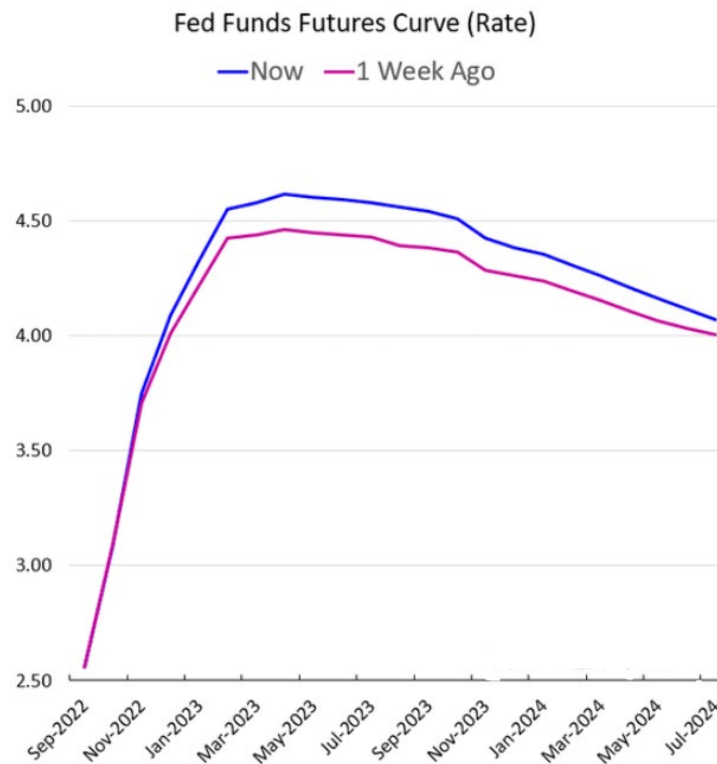
- The U.S. equity market historical returns during different partisan controls are shown below.



These periods include 1933-2019 and excludes 2001-2002. Source: The Daily Shot. Data as of 10.06.2022.

Fixed Income Markets

- Fed Funds futures are expecting a peak in rates in Q2 of 2023.



Sources: Bloomberg L.P.; The Daily Shot. Data as of 10.07.2022.

- Goldman Sachs forecasts the core Consumer Price Index (CPI) to end 2022 at 6.0% and reach 2.9% by the end of 2023.



Sources: Goldman Sachs; The Daily Shot. Data as of 10.05.2022.

U.S. Economic and Political News

- A slightly better-than-expected 263k increase in September nonfarm payrolls was accompanied by an unexpected 0.2 percentage point (pp) decline in the unemployment rate to 3.5%.
- While September payrolls growth did slow from the 382k average pace over the prior three months, the market was looking for something softer given all the resilience talk from the Federal Reserve.
- In addition, the employment component of the ISM services index hit its highest level since March.

International Markets and News

- The Chinese stock market (Shanghai Composite) was closed for the National Day Holiday from 10.01 to 10.07, also known as Golden Week.
 - China reported the highest number of new infections of COVID-19 in about a month, driven by people traveling during the holiday, sparking a fresh round of lockdowns in several cities.
- European markets (STOXX 600 Index) rose +1.0% along with global markets, despite minutes from the European Central Bank's September meeting showing support for aggressive tightening due to high inflation.
 - Eurozone producer prices in August were higher than expected, with factory gate prices rising +5.0% from July and 43.3% year-over-year, mainly driven by surging energy costs.
- Japanese equities (Nikkei 225 Index) rose +4.6% along with global equity markets as core consumer prices in Tokyo rose +2.8% year-over-year in September, which is the largest gain since 2014.

This Week:

- Corporate earnings reports will increase this week.
- Economic data:
 - Monday: Limited economic data;
 - Tuesday: National Federation of Independent Business (NFIB) Small Business Index, Redbook Chain Store, American Petroleum Institute (API) Crude Inventories;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Producer Price Index (PPI), Treasury Budget, Federal Open Market Committee (FOMC) Minutes;
 - Thursday: CPI, Weekly Jobless Claims, The U.S. Energy Information Administration (EIA) Natural Gas Inventories, The U.S. Department of Energy (DOE) Crude Inventories;
 - Friday: Export Prices, Import Prices, Retail Sales, Business Inventories, Michigan Consumer Sentiment (Preliminary).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depositary receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **The ISM Manufacturing Index**, commonly known as the ISM Manufacturing Purchasing Managers Index (ISM PMI), is a monthly gauge of the level of economic activity in the manufacturing sector in the United States versus the previous month. **The Consumer Price Index (CPI)** is a measure of the aggregate price level in an economy. The CPI consists of a bundle of commonly purchased goods and services. The CPI measures the changes in the purchasing power of a country's currency, and the price level of a basket of goods and services. **The Producer Price Index (PPI)** measures the average change in sale prices for the entire domestic market of raw goods and services. These goods and services are bought by consumers from their primary producers, bought indirectly from retail sellers, or purchased by producers themselves. (Technical definitions are sourced from Corporate Finance Institute.)

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