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Market Week: August 8, 2022

The Markets (as of market close August 5, 2022)

Stocks closed last week generally higher. A surprisingly strong labor report for July helped alleviate recession fears, but opened the door to more interest-rate hikes from the Federal Reserve as it continues to slow inflation. The S&P 500 and the Nasdaq finished higher for the third straight week, the longest weekly rally since April. The Russell 2000 also enjoyed a solid week. The Dow and the Global Dow dipped lower. The apparent strength of the labor sector seemingly lends credence to the Fed's premise that the economy is resilient enough to withstand larger interest-rate increases. A 75-basis point rate increase is now more likely when the Fed meets next in September. More rate hikes may pose a challenge for interest-sensitive stocks, like tech shares. Nevertheless, recent strong corporate earnings reports, coupled with strength in the labor sector, should bolster economic sentiment. Last week, crude oil prices posted the largest weekly loss since April after decreasing nearly $10.00 per barrel. Signs of a global economic slowdown has curbed demand, sending prices to their lowest level in six months. Falling crude oil prices are helping drive gasoline prices lower, with several states now posting average regular gasoline prices below $4.00 per gallon.

Last Monday saw stocks dip lower, unable to maintain a three-day rally. Wall Street enjoyed a strong July, partly on the speculation that the Federal Reserve would scale back its program of interest-rate increases. However, some Fed officials hinted that the central bank will need to raise rates further to bring inflation under control. Of the benchmark indexes listed here, only the Global Dow advanced, gaining 0.3%. The S&P 500 slid 0.3%, followed by the Nasdaq, which lost 0.2%. The Dow and the Russell 2000 fell 0.1%. Ten-year Treasury yields also fell, dropping 3.6 basis points to close last Monday at 2.60%. Weak demand sent crude oil prices down $4.70 to end the day at about $93.92 per barrel. The dollar fell, while gold prices advanced.

Stocks closed lower last Tuesday, while long-term Treasury yields climbed higher. Investors retreated from stocks following more rhetoric from Federal Reserve officials indicating that they're "nowhere near" done with efforts to tamp down on inflation, coupled with China's response to House Speaker Nancy Pelosi's visit to Taiwan. Among the benchmark indexes listed here, the Global Dow (-1.3%) and the Dow (-1.2%) dipped the furthest, followed by the S&P 500 (-0.7%), the Nasdaq (-0.2%), and the Russell 2000 (-0.1%). Ten-year Treasury yields spiked 13.5 basis points to hit 2.74% by the close of trading. The dollar and crude oil prices edged higher, while gold prices fell.

Wall Street surged higher last Wednesday, reversing course from the previous couple of days. The Nasdaq gained 2.6%, ending at a three-month high. Strong profit forecasts from some major companies helped lift investors' spirits. The S&P 500 and the Russell 2000 climbed 1.5%, the Dow rose 1.3%, and the Global Dow added 0.5%. Yields on 10-year Treasuries ended the day where they began. Crude oil prices fell $3.57 to $90.85 per barrel. The dollar increased marginally, while gold prices slid lower.

Stocks ended last Thursday mixed as investors awaited Friday's jobs report. The Nasdaq (0.4%) and the Global Dow (0.2%) gained ground, while the Dow (-0.3%), the S&P 500 (-0.1%), and the Russell 2000 (-0.1%) slid lower. Bond prices advanced, pulling yields lower. Ten-year Treasury yields lost 7.2 basis points to close at 2.67%. Crude oil prices fell below $90.00 per barrel for the first time since February, which should help drive prices at the pump lower. The dollar dipped lower. Gold prices reversed a negative trend, gaining $33.20 to reach $1,809.60 per ounce.

Key Dates/Data Releases

8/10: Consumer Price Index, Treasury statement

8/11: Producer Price Index

8/12: Import and export prices

Last Friday saw Wall Street end the day with mixed returns. The Russell 2000 (0.8%), the Dow (0.2%), and the Global Dow (0.1%) posted gains, while the Nasdaq (-0.5%) and the S&P 500 (-0.2%) fell. Bond prices declined, sending yields higher. The yield on 10-year Treasuries gained 16.4 basis points to reach 2.84%. Crude oil prices continued to fall, hitting $88.36 per barrel. The dollar rose, while gold prices sank.

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 8/5	Weekly Change	YTD Change
DJIA	36,338.30	32,845.13	32,803.47	-0.13%	-9.73%
Nasdaq	15,644.97	12,390.69	12,657.55	2.15%	-19.10%
S&P 500	4,766.18	4,130.29	4,145.19	0.36%	-13.03%
Russell 2000	2,245.31	1,885.73	1,921.82	1.91%	-14.41%
Global Dow	4,137.63	3,639.48	3,625.72	-0.38%	-12.37%
Fed. Funds target rate	0.00%-0.25%	2.25%-2.50%	2.25%-2.50%	75 bps	225 bps
10-year Treasuries	1.51%	2.64%	2.84%	20 bps	133 bps
US Dollar-DXY	95.64	105.83	106.57	0.70%	11.43%
Crude Oil-CL=F	$75.44	$98.23	$88.36	-10.05%	17.13%
Gold-GC=F	$1,830.30	$1,778.80	$1,790.40	0.65%	-2.18%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- July's labor data showed strength in that sector. There were 528,000 new jobs added, well above the 398,000 added in June and larger than the average monthly gain over the prior four months (388,000). Last month, the unemployment rate dipped 0.1 percentage point to 3.5%, and the total number of unemployed persons decreased 242,000 to 5.7 million. In July, job growth occurred in several areas, led by leisure and hospitality, professional and business services, and health care. Among the unemployed, the number of persons who permanently lost jobs, at 1.2 million in July, continued to trend down over the month and is 129,000 lower than in February 2020 prior to the pandemic. Last month, 2.2 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. In July, the labor force participation rate, at 62.1%, and the employment-population ratio, at 60.0%, were little changed over the month. In July, 7.1% of employed persons teleworked because of the pandemic, unchanged from the prior month. In July, average hourly earnings rose by $0.15, or 0.5%, to $32.27. Over the past 12 months, average hourly earnings have increased by 5.2%. In July, the average work week was 34.6 hours, unchanged for the fifth month in a row.
- According to the survey of purchasing managers, manufacturing further weakened in July. The S&P Global US Manufacturing Purchasing Managers' Index™ posted 52.2 in July, down from 52.7 in June. Contributing to the drop in manufacturing was the first decline in output since June 2020. Demand weakened as new orders fell at the fastest pace in over two years. Input costs paid by manufacturers rose in July, but at a slower pace than in previous months. The increase in manufacturers' costs was largely attributable to greater transportation, fuel, and raw material prices. Firms generally passed higher costs to consumers, as output charges rose at an historically elevated pace.
- Business activity in the services sector decreased in July, the first decline since June 2020. The S&P Global US Services PMI Business Activity Index registered 47.3 in July, down from 52.7 in June, marking the fourth successive decline in the services index. Survey respondents reported a contraction in output that was linked to subdued demand, worsening financial conditions, and higher prices.
- According to the latest Job Openings and Labor Turnover report for June, the number of job openings fell 605,000 to 10.7 million. The largest decreases in job openings were in retail trade (-343,000), wholesale trade (-82,000), and state and local government education (-62,000). In June, the number of hires was little changed at 6.4 million. Also in June, total separations, which include quits, layoffs, and discharges, were little changed at 5.9 million. Quits, which are a measure of workers' willingness or ability to leave jobs, were 4.2 million, little changed from the previous month.
- The international trade in goods and services trade deficit decreased in June for the third consecutive month. The trade deficit was $79.6 billion in June, down 6.2% from the May deficit. In June, exports increased 1.7%, while imports decreased 0.3%. Year to date, the goods and services deficit increased

$134.1 billion, or 33.4%, from the same period in 2021. Over that same period, exports increased 20.0% and imports rose 23.3%.

- The national average retail price for regular gasoline was $4.192 per gallon on August 1, $0.138 per gallon below the prior week's price but $1.033 higher than a year ago. Also as of August 1, the East Coast price decreased $0.112 to $4.094 per gallon; the Gulf Coast price fell $0.138 to $3.693 per gallon; the Midwest price dropped $0.191 to $4.036 per gallon; the West Coast price slid $0.107 to $5.159 per gallon; and the Rocky Mountain price fell $0.145 to $4.511 per gallon. Residential heating oil prices averaged $3.625 per gallon on July 29, about $0.169 per gallon more than the prior week's price. According to the U.S. Energy Information Administration, the breakdown of what we pay for a gallon of regular gasoline is as follows: 10% for taxes, 8% for distribution and marketing, 27% for refining, and 55% for crude oil.
- For the week ended July 30, there were 260,000 new claims for unemployment insurance, an increase of 6,000 from the previous week's level, which was revised down by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended July 23 was 1.0%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended July 23 was 1,416,000, an increase of 48,000 from the previous week's level which was revised up by 9,000. States and territories with the highest insured unemployment rates for the week ended July 16 were Puerto Rico (2.2%), New Jersey (2.1%), California (1.9%), Connecticut (1.9%), Rhode Island (1.8%), New York (1.6%), Massachusetts (1.5%), Pennsylvania (1.5%), Alaska (1.2%), Illinois (1.2%), and Nevada (1.2%). The largest increases in initial claims for the week ended July 23 were in Kentucky (+1,051), Virginia (+283), New Mexico (+51), the Virgin Islands (+21), and South Dakota (+7), while the largest decreases were in Massachusetts (-7,490), New York (-5,769), South Carolina (-3,170), California (-3,122), and Alabama (-2,125).

Eye on the Week Ahead

The latest inflation data is front and center this week with the releases of the July Consumer Price Index, the Producer Price Index, and import and export prices. Over the past 12 months ended in June, the CPI is up 9.1%, the PPI has advanced 11.3%, import prices have risen 10.7%, and export prices are up 18.2%.