

WeeklyMarket Update



General Market News

- Federal Reserve (Fed) Chair Jerome Powell gave a speech last Wednesday in which he stated, “Monetary policy affects the economy and inflation with uncertain lags, and the full effects of our rapid tightening so far are yet to be felt. Thus, it makes sense to moderate the pace of our rate increases.” While much of his speech explained that restrictive policy may be required for some time in order to get inflation down—specifically noting high wage growth—the market latched on to his moderation comments. Yields fell across the U.S. Treasury curve as a result, with the 2-year, 5-year, 10-year, and 30-year dropping 15 basis points (bps) (to 4.31 percent), 12 bps (to 3.74 percent), 18 bps (to 3.52 percent), and 10 bps (to 3.63 percent), respectively. Expectations for the terminal rate still hovered near 5 percent by the Fed’s March meeting, but with a slower pace of rate hikes, there is still plenty of data that could change between now and then.
- Equities markets continued to move higher as they also latched on to Powell’s comments for a slower pace of rate hikes. The S&P rose above its 200-day moving average for the first time since April while the DJIA exited bear market territory. This led to strength for some rate-sensitive growth names, including gains of more than 12.2 percent by Netflix and more than 10.8 percent by Meta. Friday’s strong jobs report did complicate the picture, with wage growth coming in much higher than expected and reversing some gains from Powell’s comments as inflation concerns crept back in. The top-performing sectors were communication services, consumer discretionary, and health care. Under-performing sectors included energy, financials, and utilities.
- Tuesday saw the release of the Conference Board Consumer Confidence Index for November, which showed consumer confidence declining slightly less than expected. The second consecutive decline was driven by worsening consumer views on the current situation and souring expectations.
- Two reports were released on Thursday. The personal spending and personal income reports for October indicated increases for the third consecutive month, with strong spending growth. The ISM Manufacturing index for November showed slightly higher-than-expected declines, bringing the index to its lowest level since mid-2020.
- On Friday, the employment report for November displayed a strong labor with more jobs being added than expected. The unemployment rate remained unchanged, but the labor force participation fell while wages grew more than expected.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	1.19	-0.18	-13.28	-9.62
Nasdaq Composite	2.12	-0.04	-26.15	-24.85
DJIA	0.41	-0.42	-3.30	1.51
MSCI EAFE	1.06	2.03	-12.26	-8.56
MSCI Emerging Markets	3.51	0.17	-18.58	-18.62
Russell 2000	1.32	0.34	-14.64	-13.04

Source: Bloomberg, as of December 2, 2022

FIXED INCOME

Index	Month-to-Date %	Year-to-Date %	12-Month %
U.S. Broad Market	1.34	-11.44	-11.62
U.S. Treasury	1.20	-10.95	-11.41
U.S. Mortgages	1.36	-10.21	-10.15
Municipal Bond	0.49	-8.34	-8.22

Source: Bloomberg, as of December 2, 2022



What to Look Forward To

This week's data will show some insights into business confidence and inflation with reports from the service sector and producer prices. We'll also get a look at the consumer, with the University of Michigan consumer sentiment index due to come out on Friday.

Data reports will begin on Monday with the ISM Services index for November. Service sector confidence is expected to fall for the third consecutive month, which would be a sign that businesses continue to face headwinds.

The week will end with two more reports on Friday. The Producer Price Index for November is expected to show moderating producer inflation, a welcome sign for those hoping for the pace of Fed rate hikes to slow. The University of Michigan consumer sentiment index for December (preliminary) is expected to increase modestly after falling in November. This can be an important measure for determining whether consumers continue to spend in the face of higher prices and concerns over a recession.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. Rev. 12/22.

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