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Market Week: October 31, 2022

The Markets (as of market close October 28, 2022)

Wall Street continued its weekly rally last week, with each of the benchmark indexes listed here posting solid gains. Traders focused on positive earnings reports from major megacap technology and communication companies rather than the latest data that showed inflation continuing to rise, opening the door for more interest-rate hikes from the Federal Reserve. Solid corporate earnings in the third quarter may be evidence that the economy can withstand the battle against inflation. However, a slowdown in manufacturing and the housing market could be an indication that the rate increases are impacting at least some parts of the economy. Nevertheless, stocks rallied for the second consecutive week, making it look likely that October will be a strong month.

Stocks closed last Monday higher, adding to gains from the prior week. The rally came as investors held out hope that the Federal Reserve might slow the pace of interest-rate hikes after November. The Dow led the benchmark indexes, climbing 1.3%, followed by the S&P 500 (1.2%), the Nasdaq and the Global Dow (0.9%), and the Russell 2000 (0.4%). Crude oil prices slipped marginally to $84.76 per barrel. The dollar was relatively flat. Gold prices declined, while the yield on 10-year Treasuries inched up 2.1 basis points to 4.23%. Globally, Chinese stocks plunged with the Shanghai Composite falling 2.0%, while Hong Kong's Hang Seng index closed at its lowest level since 2009 on the heels of President Xi Jinping securing a third term as head of the Chinese Communist Party. Great Britain, trying to recover from a market decline and economic malaise, saw former Chancellor Rishi Sunak, became that country's third Prime Minister in the last seven weeks.

Wall Street continued to rally last Tuesday. Stocks climbed higher, while bond yields declined. Each of the benchmark indexes listed here gained ground with the Russell 2000 (2.7%) setting the pace, followed by the Nasdaq (2.3%), The S&P 500 (1.6%), the Global Dow (1.5%), and the Dow (1.1%). Ten-year Treasury yields lost 12.6 basis points to close at 4.10%. The dollar dropped 1.0%, while gold prices added $3.30 to reach $1,657.40 per ounce. Crude oil prices rose as concerns over tight supplies returned.

Stocks were mixed last Wednesday, with the Russell 2000 (0.5%) and the Global Dow (0.9%) increasing. The Dow was flat, while tech shares pulled the Nasdaq down 2.0%, while the S&P 500 lost 0.7%. Ten-year Treasury yields fell for the second consecutive day after closing at 4.01%, down about 9.3 basis points. Crude oil prices advanced $2.94 to $88.26 per barrel. The dollar slid lower, while gold prices rose 0.65% to $1,668.80.

Last Thursday saw the Dow (0.6%) and the Russell 2000 (0.1%) post gains, while the Nasdaq (-1.6%), the S&P 500 (-0.6%), and the Global Dow (-0.4%) lost ground. Ten-year Treasury yields slid lower, down 7.8 basis points to close at 3.93%. The dollar climbed higher, while gold prices fell. Prices for crude oil rose less than $1.00, reaching $88.71 per barrel.

Stocks surged last Friday to end a turbulent week with gains. Favorable earnings reports from major technology and communications companies helped drive shares higher. The Nasdaq rose 2.9%, followed by the Dow (2.6%), the S&P 500 (2.5%), the Russell 2000 (2.3%), and the Global Dow (0.8%). Ten-year Treasury yields added 7.3 basis points to close the week at 4.01%. Crude oil prices slid lower to $88.24 per barrel. The dollar climbed higher for the second straight session, while gold prices declined.

Key Dates/Data Releases

11/1: Manufacturing PMI, JOLTS

11/2: FOMC statement

11/3: International trade in goods and services, Services PMI

11/4: Employment situation

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 10/28	Weekly Change	YTD Change
DJIA	36,338.30	31,082.56	32,861.80	5.72%	-9.57%
Nasdaq	15,644.97	10,859.72	11,102.45	2.24%	-29.04%
S&P 500	4,766.18	3,752.75	3,901.06	3.95%	-18.15%
Russell 2000	2,245.31	1,742.24	1,846.92	6.01%	-17.74%
Global Dow	4,137.63	3,337.87	3,448.04	3.30%	-16.67%
Fed. Funds target rate	0.00%-0.25%	3.00%-3.25%	3.00%-3.25%	0 bps	300 bps
10-year Treasuries	1.51%	4.21%	4.01%	-20 bps	250 bps
US Dollar-DXY	95.64	111.88	110.69	-1.06%	15.74%
Crude Oil-CL=F	$75.44	$85.10	$88.24	3.69%	16.97%
Gold-GC=F	$1,830.30	$1,662.20	$1,647.50	-0.88%	-9.99%

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

- According to the first estimate of gross domestic product, the economy accelerated at a rate of 2.6% in the third quarter following decreases in the first and second quarters of 2022. Increases in exports, consumer spending, nonresidential (business) fixed investment, and federal, state, and local government spending helped drive the third-quarter increase in GDP. The consumer price index, a measure of inflation, advanced 4.2% in the third quarter, lower than the 7.3% increase in the second quarter. The advance estimate of GDP is based on incomplete data and may change with the releases of the second and third estimates.
- According to the latest report from the Bureau of Economic Analysis, September saw personal income and disposable (after-tax) personal income increase 0.4%. Consumer spending rose 0.6% in September and consumer prices advanced 0.3%. Excluding food and energy, consumer prices advanced 0.5%. From September 2021, consumer prices increased 6.2%. Last month, prices for goods decreased 0.1%, primarily attributable to a drop in gasoline and other energy goods. Prices for services increased 0.6%, led by housing and transportation services. Food prices rose 0.6% in September, while energy prices fell 2.4%. From a year ago, food prices increased 11.9% and energy prices advanced 20.3%.
- The Federal Reserve released the budget statement for September, the last month of fiscal year 2022. The government deficit for September was $429.7 billion, $210.1 billion higher than the August deficit and $364.7 billion greater than the September 2021 deficit. A major contributing factor in the September deficit increase was $430.0 billion in spending attributable to student debt forgiveness. The deficit for FY 2022 was $1,375.4 trillion, well below the FY 2021 deficit of $2,775.6 trillion. Government expenditures in this fiscal year ($6,271.5 trillion) were marginally less than in the previous fiscal year ($6,821.6 trillion), while government receipts in FY 2022 ($4,896.1 trillion) were higher than in FY 2021 ($4,046.0 trillion). Individual income tax receipts were $587.8 million more than in FY 2021, while corporate income tax receipts increased by $53.0 million over the same period.
- New orders for manufactured durable goods in September, up six of the last seven months, increased 0.4%, according to the U.S. Census Bureau. This followed a 0.2% August increase. Excluding transportation, new orders decreased 0.5%. Excluding defense, new orders increased 1.4%. Transportation equipment, up five of the last six months, drove the increase, advancing 2.1%. New orders for durable goods rose 10.9% since September 2021.
- The advance report from the Census Bureau revealed that the international trade in goods (excluding services) deficit in September was $92.2 billion, an increase of 5.7% from the August estimate. Accounting for the rise in the trade deficit was a 0.8% increase in imports, which was more than offset by a 1.5% decrease in exports. Since September 2021, exports rose 23.5%, while imports advanced 12.9%.
- Sales of new single-family homes could not maintain their August pace of growth, falling 10.9% in September. For the 12 months ended in September, new single-family home sales fell 17.6%. Rising mortgage rates were the main driver of the fall in new home sales in September. The inventory of available new single-family homes for sale sits at 9.2 months, at the current sales pace. The median

sales price in September was $470,600, while the average sales price was $517,700.

- According to the U.S. Energy Administration, the national average retail price for regular gasoline was $3.769 per gallon on October 24, $0.102 per gallon below the prior week's price but $0.386 higher than a year ago. Also as of October 24, the East Coast price decreased $0.043 to $3.481 per gallon; the Gulf Coast price fell $0.101 to $3.218 per gallon; the Midwest price dropped $0.100 to $3.688 per gallon; the West Coast price decreased $0.263 to $5.179 per gallon; and the Rocky Mountain price decreased $0.072 to $3.845 per gallon. Residential heating oil prices averaged $5.704 per gallon on October 24, $0.018 below the previous week's price but $2.307 per gallon more than a year ago.
- For the week ended October 22, there were 217,000 new claims for unemployment insurance, an increase of 3,000 from the previous week's level. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended October 15 remained 1.0%. The advance number of those receiving unemployment insurance benefits during the week ended October 15 was 1,438,000, an increase of 55,000 from the previous week's level, which was revised down by 2,000. States and territories with the highest insured unemployment rates for the week ended October 8 were Puerto Rico (2.5%), California (1.7%), New Jersey (1.7%), New York (1.3%), Alaska (1.3%), Rhode Island (1.2%), Massachusetts (1.1%), and Oregon (1.1%). The largest increases in initial claims for unemployment insurance for the week ended October 15 were in Missouri (+1,850), Tennessee (+285), Hawaii (+191), Iowa (+131), and Mississippi (+119), while the largest decreases were in Florida (-3,593), New York (-3,089), California (-2,817), Texas (-1,576), and Puerto Rico (-1,535).

Eye on the Week Ahead

The Federal Open Market Committee meets this week, the result of which is expected to produce another 75-basis-point interest rate increase. The employment figures for October are also out at the end of this week. The labor sector has been relatively strong throughout the year, most recently adding 263,000 new jobs in September, while average hourly earnings have risen 5.0% since September 2021.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.
