Weekly **Market Commentary**

THE WEEK IN REVIEW: June 19 – June 25

Finally! A positive week for markets

After finishing down in the past 10 of 11 weeks, markets finally showed signs of life last week. A sharp rally helped boost the S&P 500 out of bear market territory, while the Dow added more than 800 points late in the week.

The major catalyst for the improvement: economic data, which offered several signals that the Federal Reserve's monetary tightening actions are starting to have an effect on inflation (and slowing the economy). On Tuesday, the National Association of Realtors reported that May existing home sales fell to their lowest level in two years, and the group's chief economist predicted further declines ahead as mortgage rates continue to climb.

The Chicago Federal Reserve also reported its gauge of national economic activity had reached an eight-month low, while June manufacturing activity came in well below forecasts. That may sound like bad news, but traders welcomed the data because it also showed that manufacturing input inflation fell to its lowest level in five months, while output charge inflation (the prices companies charge) had reached its lowest level in over a year.

Friday was the best day for investors last week, despite the University of Michigan saying consumer sentiment reached 40-year lows in June. The report also showed consumers

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are coming to terms with inflation sticking around for a while. Meanwhile, Federal Reserve Chairman Jerome Powell testified before Congress mid-week, saying central bankers “do not think” they will need to provoke a recession to get inflation under control. However, he did say that a recession is “certainly a possibility” because achieving price stability is “absolutely essential” to the Fed.

Powell also said that inflation expectations currently seem to be anchored, and his comments boosted equity and fixed income markets. Futures markets began pricing a slightly higher chance of a 50 basis point (0.50%) Fed funds rate increase in the next meeting, although it still seems more likely the Fed will bump the rate by another 75 basis points (0.75%).

While we have a long way to go toward making up this year’s losses, markets finished the week in an optimistic mood. Will the positive trend continue this week? Only time will tell.

The Snap, the Crackle and the Pop

Kellogg’s announced last week that it plans to split itself into three independent companies, spinning off its U.S., Canadian and Caribbean cereal and plant-based businesses into two new entities. The remaining business will focus on “global snacking,” a category that made up 80% of its net sales in 2021.

Leavin’ on a jet plane (Americans were trying to, at least)

Friday, June 17, was a big day for the travel industry, as 2.4 million people passed through TSA checkpoints – the highest single-day tally since Thanksgiving. However, it wasn’t smooth sailing for many travelers, as thousands of flights in the U.S. were delayed or canceled. Those people paid a lot of money to spend extra time in the airport, as airfares have increased 38% over the past year.

Coming This Week

- How confident are consumers? We’ll find out Tuesday, when the June consumer confidence index is released. Right now, the forecast is calling for a 5-point drop from last month’s report.
- On Wednesday, we’ll get another reading of Q1 Gross Domestic Product (GDP). The last reading showed GDP contracted between January and March, and the forecast says we’ll stick to that number.

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	6.45%	-17.93%	-8.31%	9.92%	9.91%
NASDAQ	5.51%	-28.21%	-21.30%	11.83%	12.38%
DJIA	5.39%	-13.31%	-7.88%	5.63%	8.04%

Interest Rates:	6/24/2022	6/17/2022
UST 10 YR Government Bond Yield	3.14%	3.23%
Germany 10 YR	1.446%	1.658%
Japan 10 YR	0.223%	0.403%
30 YR Mortgage	5.81%	5.94%
Oil	$107.14/ppb	$109.24/ppb
Regular Gas	$5.11/ppg	$5.11/ppg

All data as of June 24, 2022

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