Weekly **Market Commentary**

THE WEEK IN REVIEW: June 26 – July 2

One step forward, two steps back for markets

After locking in solid gains the previous week, markets headed the wrong direction last week over increased worries the Federal Reserve's inflation battle would push the U.S. into a recession. The concern spiked after Fed Chair Jerome Powell said he was more concerned about the risk of failing to stamp out high inflation than he was about the possibility of raising interest rates too high and pushing the economy into a recession. It seems like Chairman Powell is no longer concentrating on bringing us in for a "soft landing" and instead putting the Fed's full energy behind bringing down inflation rates.

Economic data also pushed markets down, as much of the data missed consensus expectations, and some signals suggested economic activity may be slowing. Personal consumption expenditures indicated consumers are pulling back, while the consumer confidence index came in significantly lower than anticipated. And consumer sentiment – which weighs Americans' moods and is often used as an economic indicator – fell to its lowest point on record.

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The third reading of first-quarter gross domestic product (GDP) also showed the economy shrank by 1.6% in Q1, slightly larger than the original reading of -1.5%. The Atlanta Fed is estimating second-quarter growth to come in at -2.1%. And if it does, that will make it two consecutive quarters of GDP loss – one commonly accepted definition of a recession. We'll have to wait until the end of July to get the first reading of Q2 GDP and see if their forecast holds.

Still, some of last week's data suggested the economy hasn't completely lost its footing. Durable goods orders for May surprised on the upside, while current factory activity also indicated expansion. We also haven't seen any big jumps in unemployment numbers; weekly jobless claims came roughly in line with expectations at 231,000, where they've been hovering for four weeks.

All the bad news dragged down markets. On Thursday, the S&P 500 officially locked in its worst first half of a year since 1970, losing 20% through the end of June. However, keep in mind that the index was coming down from its all-time high on January 3.

In other news ...

For the first time in more than 100 years, Russia defaulted on its foreign debt. The default wasn't for lack of money but rather punishing Western sanctions over its invasion of Ukraine.

Closer to home, yields on U.S. Treasuries are rising as the Fed lifts interest rates. The increase on yields could increase the federal government's borrowing costs over time, taking those costs well higher than projected.

Coming This Week

- It's a short week for markets, which were closed Monday for Independence Day.
- The most recent Job Openings & Labor Turnover Survey (JOLTS) report will be released on Wednesday. Last month's reading showed we had 11.4 million openings. This month's forecast is slightly lower but still high at 11 million.
- We'll get June employment numbers on Friday. We added a fairly robust 390,000 jobs in May; the June forecast is significantly lower at 250,000.
- The Federal Reserve will release minutes from its last meeting on Wednesday. They're not scheduled to meet again until the end of July, but the minutes from the last meeting could give us a clue about how much they intend to bump rates when they gather again. Plus, a handful of Fed officials are scheduled to speak this week, and it will be interesting to hear what they have to say about balancing a potential recession with the need to combat inflation.

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	-2.21%	-19.74%	-11.45%	8.87%	9.56%
NASDAQ	-4.13%	-28.87%	-23.37%	11.21%	12.63%
DJIA	-1.28%	-14.42%	-10.21%	5.19%	7.81%

Interest Rates:	7/1/2022	6/24/2022
UST 10 YR Government Bond Yield	2.89%	3.14%
Germany 10 YR	1.336%	1.446%
Japan 10 YR	0.220%	0.223%
30 YR Mortgage	5.61%	5.81%
Oil	$110.27/ppb	$107.14/ppb
Regular Gas	$4.98/ppg	$5.11/ppg

All data as of July 1, 2022

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