Weekly **Market Commentary**

THE WEEK IN REVIEW: July 18 – July 24

What do we have here? An up week for markets!

Stocks had a strong showing last week. It may sound strange, but traders appeared to welcome signs of a slowing economy and fading inflationary pressures. Weekly jobless claims came in at 251,000, their highest level in nine months, as some companies begin precautionary layoffs as a potential recession looms.

Other data from the housing, manufacturing and service sectors also indicated a sluggish economy. Existing home sales declined 5.4% between May and June, and they're down 14.2% from one year ago. Mortgage applications dropped 6.3% last week, hitting their lowest point since 2000. The U.S. Treasury yield dropped on the heels of the negative data, hitting a two-month low of 2.73% on Friday.

Earnings season is in full swing, and so far it's been a mixed bag. Many earnings reports confirmed the economy *is* slowing, but corporate profits and outlooks were somewhat better than expected. For example, Netflix's share price rose after reporting it had lost fewer subscribers than expected last quarter following a significant price jump.

U.S. Treasury yields dropped on the heels of the weak data. The yield on the benchmark 10-year Treasury note dropped to 2.73% on Friday morning, its lowest level in nearly two months.

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While markets seemed to absorb all of this in stride last week, this week could be interesting as the Federal Reserve holds its regularly scheduled meeting. The majority of economists are anticipating the Fed to raise rates by another 75 basis points (0.75%) during their meeting, taking the fed funds rate to 2.25% - 2.50%. A small number are still saying they expect the Fed to implement a full 1% increase. If the outliers are right, it could increase volatility, as markets seem to be resigned to a 75-point hike.

Another potential point of volatility this week: The first reading of second-quarter gross domestic product (GDP) is scheduled for Thursday. First quarter GDP came in at -1.6%, and two negative quarters in a row would mean we're "officially" in a recession. Right now, the forecast for second-quarter GDP is coming in at 0.3%, so which way it will go is anyone's guess.

Coming this week

- The biggest event this week will be the Fed meeting Tuesday and Wednesday. As mentioned earlier, a federal funds rate increase of more than 75 basis points could create turbulence for markets.
- Second-quarter GDP is scheduled to be released Thursday.
- We'll see more housing data this week, including new home sales for June. The forecast is calling for sales to drop to 664,000, down from 696,000 in May.
- Friday will be a heavy data day. We'll get numbers on disposable income, personal consumption expenditures (PCE) price index and the final reading of consumer sentiment and inflation expectations.

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	2.55%	-16.88%	-9.29%	9.89%	9.89%
NASDAQ	3.33%	-24.36%	-19.41%	12.99%	13.12%
DJIA	1.95%	-12.22%	-8.40%	5.49%	8.13%

Interest Rates:	7/22/2022	7/15/2022
UST 10 YR Government Bond Yield	2.75%	2.93%
Germany 10 YR	1.027%	1.133%
Japan 10 YR	0.228%	0.234%
30 YR Mortgage	5.80%	5.79%
Oil	$95.05/ppb	$97.63/ppb
Regular Gas	$4.60/ppg	$4.75/ppg

All data as of July 22, 2022

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