Weekly **Market Commentary**

THE WEEK IN REVIEW: Oct. 2–8

When good news is bad news

Let's talk jobs. Employment – or, more specifically, a lack of employment – is a key indicator of an impending recession. But while everything else, like a yield curve inversion and quickly rising interest rates, would normally indicate that a recession is looming, employment numbers have remained stubbornly, unflinchingly high.

As a result, the market had a close watch on jobs data last week. The hope was that the employment numbers would mean the Federal Reserve was succeeding in slowing down the economy. If they were, it opened the door to the possibility of a pause in rate increases in the coming months. Their hopes were further buoyed by last week's initial unemployment claims report, which rose to 219,000 for the prior week.

Alas. Nonfarm payrolls grew by 263,000 in the month of September, and the unemployment rate remained at a healthy 3.5%. And the latest Job Openings and Labor Turnover Summary (JOLTS) didn't help much, showing that we still have 10.1 million job openings in the U.S. While that's an improvement from the previous report of 11.2 million, there are still a lot of open jobs out there.

In short, the data dashed the hopes for a rate pause. Markets didn't like the news; stock market futures dropped, and government bond yields rose immediately following the report's

2950 SW McClure Rd, Suite B · Topeka, KS 66614

release. Plus, all of the major indexes gave back most of their gains from the first half of the week, ending the week on a negative note.

For its part, the Fed remains intent on staying the course. Late last week, Chicago Fed President Charles Evans estimated the Fed would go to 4.5%-4.75% by next spring. Evans said, "We have further to go. Inflation is high right now, and we need a more restrictive setting of monetary policy."

OPEC+ cuts oil production

Markets also didn't like last week's announcement from OPEC+, a consortium of 23 oil-exporting countries that produce about 40% of the crude oil globally. The cuts, which will begin in November, are meant to bolster the price of crude oil, which has dipped in recent months. How long the decreased production will last is hard to gauge, as analysts said it's hard to tell how long sanctions on Russia will continue to impact things like shipping insurance, price caps and oil imports.

In the U.S., the impact was immediate. Oil rose from $79.71 per barrel the week before to more than $92 last week. And Americans are already paying more at the pump, as the average price of gas bumped back up over $3.90 per gallon.

Coming this week

- Fed officials will be making the rounds this week. Will their comments rekindle hopes of a potential rate pause in the next few months? Probably not.
- We'll get a good look at inflation numbers late in the week. The consumer price index (CPI) for September will be released on Thursday. The current forecast is for the CPI to drop slightly from 8.3% to 8.1% – nowhere near the Fed's target rate of 2%.
- The latest University of Michigan consumer sentiment index reading is scheduled for Friday. Consumer sentiment reached a record low of 50 in June and has remained in the high 50s over the past two months. The forecast is calling for more of the same this month.

Equities:	1 WK	YTD	1 YR	3 YRS	5 YRS
S&P 500	1.51%	-23.64%	-17.28%	7.39%	7.38%
NASDAQ	0.73%	-31.91%	-27.31%	10.22%	10.08%
DJIA	1.99%	-19.38%	-15.70%	3.43%	5.17%

Interest Rates:	10/7/2022	9/30/2022
UST 10 YR Government Bond Yield	3.89%	3.83%
Germany 10 YR	2.204%	2.111%
Japan 10 YR	0.248%	0.243%
30 YR Mortgage	6.97%	6.82%
Oil	$92.41/ppb	$79.71/ppb
Regular Gas	$3.91/ppg	$3.83/ppg

All data as of Oct. 7, 2022

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