

# Weekly Market Recap

## The week in review

- Headline/core CPI: +7.5%/+6.0% y/y
- Hourly earnings rose 5.7% y/y

## The week ahead

- PPI
- Retail sales
- Housing starts

## Thought of the week

Last week's CPI report for January came in stronger than expected, with the rate of headline inflation increasing to a 40-year high of 7.5% y/y (0.6% m/m). Prices rose across most sub-categories, but food, electricity and shelter costs saw particularly significant increases. Supply chain bottlenecks and the shortage in chips continue to limit the output of car manufacturers, putting additional upwards pressure on both new and used vehicles prices, which rose 12.2% and 40.5% y/y, respectively. In addition to rising consumer costs, the January employment report highlighted that firms continue to see higher costs in the form of wages. While inflation should gradually begin to moderate as a significant portion of the price increases are transitory in nature, wage growth will likely be stickier due to the economy's chronic lack of labor. That said, there are signs that hourly earnings growth may have peaked and is now slowly returning to trend. According to NFIB's January survey, 27% of small businesses intend on raising compensation over the next three months, down from the 32% recorded over the prior three months.

Despite the significant acceleration in wage growth and notably higher input costs, businesses have been able to preserve margins via price increases. While this will contribute to the stickiness of inflation, it seems to have been effective in defending margins. In fact, with 82.5% of market cap reporting, we are currently tracking a 4Q21 operating margin of 13.2% for the S&P 500. If realized, this would only be 0.4% ppts below the 2Q21 peak of 13.6%, and potentially signaling that margins will be more resilient than expected. Furthermore, a faster than expected deceleration in wage growth could allow operating margins to continue surprising to the upside through the first half of this year.

Please see important disclosure on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	4419	-1.79	-7.16	-7.16	14.41	71.73
Dow Jones 30	34738	-0.96	-4.28	-4.28	12.50	47.86
Russell 2000	5045	1.42	-9.51	-9.51	-10.28	38.78
Russell 1000 Growth	1788	-2.62	-11.97	-11.97	6.88	93.28
Russell 1000 Value	996.47	-0.45	-2.33	-2.33	16.20	47.24
MSCI EAFE	2279	1.43	-2.37	-2.37	5.43	37.84
MSCI EM	1241	1.61	0.77	0.77	-11.03	29.57
NASDAQ	13791	-2.17	-11.80	-11.80	-1.04	93.63

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	2.36	-0.41	-3.45	-3.45	-4.03	9.92
U.S. Corporates	3.03	-0.39	-4.87	-4.87	-4.48	15.53
Municipals (10yr)	1.76	-0.88	-3.27	-3.27	-3.29	9.55
High Yield	5.93	-0.96	-4.03	-4.03	-0.31	17.94

Key Rates	Levels (%)					
	2/11/22	2/4/22	12/31/21	12/31/21	2/11/21	2/11/19
2-yr U.S. Treasuries	1.50	1.31	0.73	0.73	0.11	2.48
10-yr U.S. Treasuries	1.92	1.93	1.52	1.52	1.16	2.65
30-yr U.S. Treasuries	2.24	2.23	1.90	1.90	1.94	3.00
10-yr German Bund	0.27	0.23	-0.18	-0.18	-0.47	0.08
3-mo. LIBOR	0.51	0.34	0.21	0.21	0.20	2.69
3-mo. EURIBOR	-0.52	-0.55	-0.57	-0.57	-0.54	-0.31
6-mo. CD rate	0.14	0.16	0.14	0.14	0.21	0.73
30-yr fixed mortgage	3.83	3.83	3.33	3.33	2.96	4.65
Prime Rate	3.25	3.25	3.25	3.25	3.25	5.50

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
19.43	4.42	1.33	81.14	
18.05	4.69	1.82	370.37	
20.79	2.27	1.02	1.59	
26.38	12.01	0.71	59.33	
15.53	2.58	1.86	35.91	
14.47	1.83	2.62	27.39	
12.23	1.83	2.47	18.92	
27.50	5.93	0.67	6.87	

Currencies	Levels		
	2/11/22	12/31/21	2/11/21
\$ per €	1.14	1.14	1.21
\$ per £	1.36	1.35	1.38
¥ per \$	115.88	115.16	104.73

Commod.	Levels		
	2/11/22	12/31/21	2/11/21
Oil (WTI)	93.10	75.33	58.22
Gasoline	3.44	3.28	2.46
Natural Gas	3.94	3.82	6.50
Gold	1831	1806	1840
Silver	22.90	23.09	27.13
Copper	10040	9692	8292
Corn	6.41	5.86	5.26
BBG Idx	234.76	211.80	178.22

## Chart of the Week

### S&P 500 profit margin



## Style Returns

	V	B	G
L	-0.5	-1.8	-2.6
M	0.3	0.2	0.0
S	1.4	1.4	1.5
L	-2.3	-7.2	-12.0
M	-4.0	-7.4	-13.5
S	-5.4	-9.5	-13.6

## S&P 500 Sector Returns

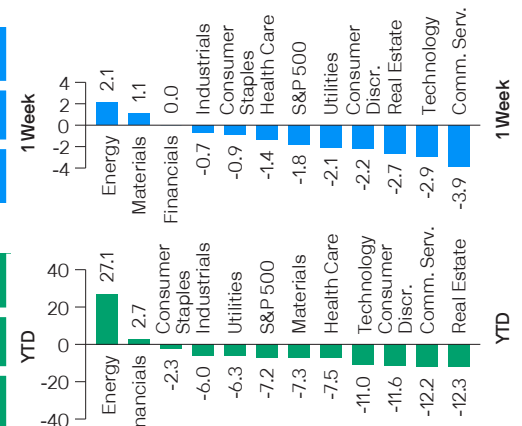




Chart of the Week: Source: FactSet, Standard and Poor's, J.P. Morgan Asset Management. \*Estimate based on our earnings tracker model.

Thought of the week: Source: FactSet, Standard and Poor's, J.P. Morgan Asset Management. \*Estimate based on our earnings tracker model.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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