



# Weekly Market Recap

## The week in review

- Retail sales fell 0.3% m/m in May
- 30Y mortgage rate at 5.78%, highest since 2008

## The week ahead

- Flash PMIs
- Jobless claims

## Thought of the week

On the heels of a 40-year high inflation print and decade high University of Michigan inflation expectations, the Fed voted to raise rates by 75bps at its June meeting. Guidance was hawkish, with the median FOMC dot showing rates up another 175 bps by year-end to a restrictive 3.4%. The Fed is “strongly committed” to cooling inflation and is willing to tolerate lower growth to do so. Accordingly, the Fed revised down its GDP expectations to 1.7% in 2022 and 2023 from 2.8% and 2.2%. The Fed’s resolve to cool inflation also led them to inch up its unemployment targets to 3.7% in 2022, 3.9% in 2023 and 4.1% in 2024. While the labor market continues to expand and growth is expected to recover through the middle of this year, the Fed recognizes the aggressive path ahead will cool labor demand and act as another drag on the overall economy into next year. This revision implies ~800,000 fewer Americans on payrolls by 2024, if labor force participation remains constant. Different from the incredibly tight labor market we are currently seeing where the number of job vacancies doubles that of workers looking for employment. As illustrated in the chart, inflation and unemployment exhibit an inverse relationship, with inflation typically peaking before the unemployment rate bottoms. While many economists differ on when peak inflation will hit (or if it has already), many agree that inflation will moderate in the second half of the year, which should in turn cool labor demand and be a turning point for the unemployment rate to tick back up. Looking ahead, a “soft landing” may still be possible, but the Fed’s willingness to overtighten has increased recession risks, pushing U.S. equities further into a bear market and Treasury yields lower. While bear marks are certainly painful, enduring them is critical for long-term returns. In environments like this, stay invested and opt for high-quality core fixed income and defensive sectors in equities.

Please see important disclosures on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	3675	-5.75	-18.59	-22.33	-11.68	33.70
Dow Jones 30	29889	-4.73	-13.36	-16.91	-9.88	22.00
Russell 2000	4140	-7.43	-19.30	-25.37	-26.33	12.81
Russell 1000 Growth	1411	-5.05	-23.39	-30.31	-19.09	40.30
Russell 1000 Value	858.33	-6.60	-14.58	-15.21	-8.48	21.44
MSCI EAFE	1823	-5.73	-15.44	-20.33	-19.94	6.54
MSCI EM	1005	-4.65	-11.37	-17.51	-24.25	7.58
NASDAQ	10798	-4.76	-23.92	-30.72	-23.22	41.07

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.93	-0.92	-5.89	-11.48	-11.15	-3.22
U.S. Corporates	4.79	-1.19	-7.80	-14.89	-14.28	-1.90
Municipals (10yr)	3.21	-1.81	-3.16	-9.19	-8.89	-0.77
High Yield	8.53	-2.90	-8.68	-13.10	-11.18	2.87

Key Rates	Levels (%)					
	6/17/22	6/10/22	3/31/22	12/31/21	6/17/21	6/17/19
2-yr U.S. Treasuries	3.17	3.06	2.28	0.73	0.23	1.86
10-yr U.S. Treasuries	3.25	3.15	2.32	1.52	1.52	2.09
30-yr U.S. Treasuries	3.30	3.20	2.44	1.90	2.11	2.58
10-yr German Bund	1.73	1.46	0.55	-0.18	-0.23	-0.25
3-mo. LIBOR	2.10	1.74	0.96	0.21	0.13	2.42
3-mo. EURIBOR	-0.17	-0.30	-0.46	-0.57	-0.54	-0.32
6-mo. CD rate	0.41	0.35	0.16	0.14	0.16	0.95
30-yr fixed mortgage	5.65	5.65	4.80	3.33	3.11	4.14
Prime Rate	4.75	4.00	3.50	3.25	3.25	5.50

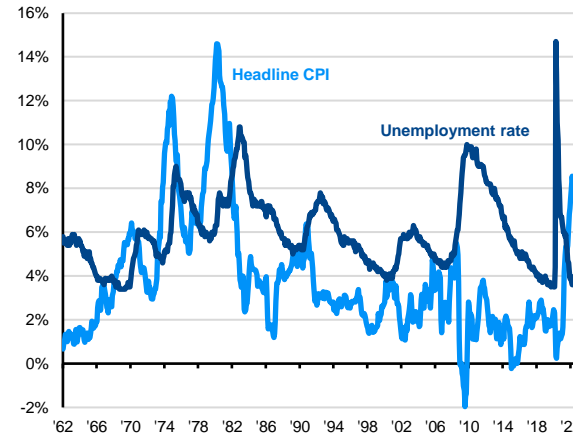
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
15.33	3.93	1.66	67.16
14.88	4.23	2.11	310.14
15.28	2.02	1.32	1.31
20.41	10.27	0.94	47.67
12.49	2.35	2.24	30.56
11.67	1.62	3.12	22.37
11.03	1.67	2.82	16.99
21.30	5.22	0.88	5.33

Currencies	Levels		
	6/17/22	12/31/21	6/17/21
\$ per €	1.05	1.14	1.19
\$ per £	1.22	1.35	1.40
¥ per \$	135.30	115.16	110.23

Commod.	Levels		
	6/17/22	12/31/21	6/17/21
Oil (WTI)	109.56	75.33	71.06
Gasoline	5.01	3.28	3.07
Natural Gas	6.94	3.82	3.24
Gold	1842	1806	1779
Silver	21.85	23.09	26.60
Copper	9101	9692	9428
Corn	7.75	5.86	6.31
BBG Idx	271.54	211.80	192.38

## Chart of the Week

Inflation historically peaks before unemployment troughs.



## Style Returns

	V	B	G
L	-6.6	-5.7	-5.1
M	-7.9	-7.4	-6.4
S	-7.9	-7.4	-6.9
	V	B	G
L	-15.2	-22.3	-30.3
M	-17.9	-23.5	-33.4
S	-18.1	-25.4	-32.6

## S&P 500 Sector Returns

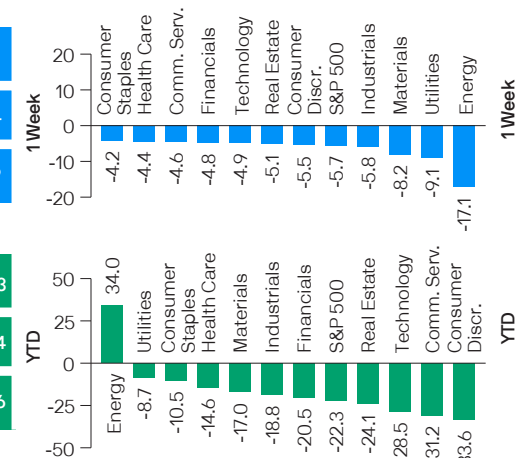




Chart of the Week: Source: BLS, Federal Reserve, J.P. Morgan Asset Management.

Thought of the week: Source: BLS, Federal Reserve, J.P. Morgan Asset Management.

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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