

Weekly Market Recap

The week in review

- Mfg./Services PMI: 51.3/44.1
- 2Q22 real GDP: -0.60% q/q SAAR (2nd est.)
- Headline/Core PCE: 6.3%/4.6% y/y
- Consumer sentiment: 58.2 vs. 55.1 expected

The week ahead

- Unemployment rate and JOLTS
- ISM manufacturing index

Thought of the week

On Friday, Federal Reserve Chairman Jerome Powell reiterated that inflation remains too high and that the central bank is determined to bring it back down to its 2% target, even if they must risk weakening the economy in the process. Chair Powell specifically noted that “reducing inflation will require a sustained period of below trend growth.” This tough talk comes just as we have begun to see an improvement on the inflation front. The July CPI report showed headline CPI remaining unchanged m/m and a notable deceleration in y/y growth. Looking ahead to the August report, declining gasoline prices and lower airline fares should provide additional relief, but the rest of 2022 could be mixed with natural gas prices rising and higher wages putting a floor underneath inflation. Nonetheless, we expect inflation will resume its decline in 2023, as weakening demand and improving supply chains ease price pressures. For the Fed, the key question is whether the current path to 2% inflation is quick enough; as we illustrate in this week’s chart, the path to normalcy will be slow and could vary greatly depending on the economic backdrop. Even in a scenario in which headline CPI grows at a consistent 0.2% m/m rate, the y/y growth figure would take a full 12 months to come down to just above 2%.

But what does all this mean for portfolios? If the Fed chooses to prioritize controlling inflation over economic growth, this would favor value over growth and international equities over U.S. equities. On the other hand, a more moderate pace of tightening could be a boost for U.S. equities and credit. In either situation, however, we do expect economic growth to slow; slower growth implies lower rates, which makes us increasingly comfortable in adding back some duration in portfolios. *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	4058	-4.02	7.45	-14.00	-7.86	48.10
Dow Jones 30	32283	-4.20	5.22	-9.97	-6.50	32.71
Russell 2000	4722	-2.93	11.42	-14.69	-13.13	33.60
Russell 1000 Growth	1597	-4.55	9.84	-21.00	-15.29	56.73
Russell 1000 Value	929.65	-3.16	5.81	-7.80	-3.57	34.37
MSCI EAFE	1882	-1.91	2.26	-17.43	-16.95	12.94
MSCI EM	1007	0.55	1.53	-16.21	-17.83	13.71
NASDAQ	12142	-4.43	10.23	-21.99	-18.17	58.37

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	3.84	-0.36	0.36	-10.02	-10.59	-4.78
U.S. Corporates	4.66	-0.23	1.43	-13.16	-13.59	-4.79
Municipals (10yr)	2.91	-0.42	1.34	-7.02	-7.24	-1.00
High Yield	8.04	-1.05	5.18	-9.74	-8.73	5.20

Key Rates	Levels (%)					
	8/26/22	8/19/22	6/30/22	12/31/21	8/26/21	8/26/19
2-yr U.S. Treasuries	3.37	3.25	2.92	0.73	0.25	1.54
10-yr U.S. Treasuries	3.04	2.98	2.98	1.52	1.34	1.54
30-yr U.S. Treasuries	3.21	3.22	3.14	1.90	1.94	2.04
10-yr German Bund	1.43	1.23	1.38	-0.18	-0.41	-0.67
3-mo. LIBOR	3.07	2.96	2.29	0.21	0.12	2.14
3-mo. EURIBOR	0.54	0.43	-0.20	-0.57	-0.55	-0.42
6-mo. CD rate	0.91	0.90	N/A	0.14	0.14	0.85
30-yr fixed mortgage	5.65	5.65	5.84	3.33	3.03	3.94
Prime Rate	5.50	5.50	4.75	3.25	3.25	5.25

Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
17.10	4.05	1.54	34197
16.19	4.33	1.95	9857
19.03	2.09	1.21	2469
23.44	10.36	0.88	19328
13.54	2.39	2.12	18623
12.12	1.63	3.23	13878
11.32	1.66	3.18	6554
24.88	5.36	0.81	19868

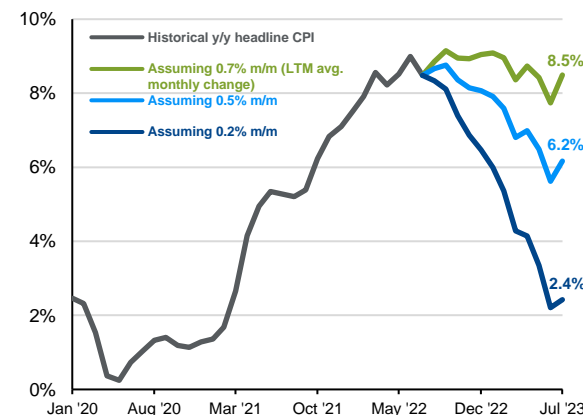
Currencies	Levels		
	8/26/22	12/31/21	8/26/21
\$ per €	1.00	1.14	1.18
\$ per £	1.18	1.35	1.37
¥ per \$	137.27	115.16	110.05

Commod.	Levels		
	8/26/22	12/31/21	8/26/21
Oil (WTI)	93.06	75.33	67.42
Gasoline	3.88	3.28	3.15
Natural Gas	9.30	3.82	4.07
Gold	1751	1806	1787
Silver	19.22	23.09	23.68
Copper	8315	9692	9323
Corn	6.79	5.86	5.57
BBG Idx	268.03	211.80	202.76

Chart of the Week

Potential pathways for inflation

Headline CPI, seasonally adjusted, forecasts post-July 2022



Style Returns

	V	B	G
L	-3.2	-4.0	-4.6
M	-3.1	-3.3	-3.6
S	-3.3	-2.9	-2.6
	V	B	G
L	-7.8	-14.0	-21.0
M	-9.6	-14.4	-23.2
S	-9.4	-14.7	-20.1

S&P 500 Sector Returns

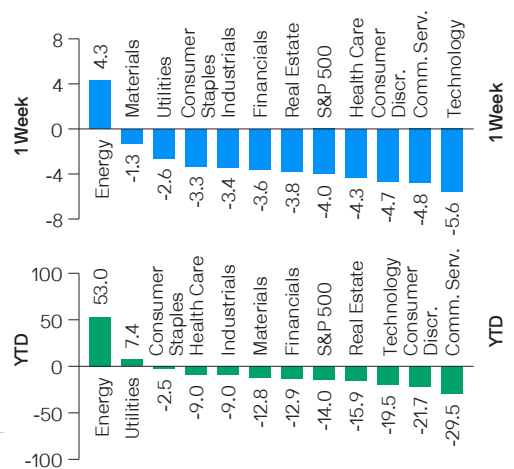




Chart of the Week: Source: BLS, FactSet, J.P. Morgan Asset Management.

Thought of the week: Source: BLS, FactSet, 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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