

Weekly Market Recap

The week in review

- Industrial production rose 0.4% m/m
- Housing starts decreased 8.1% m/m
- Existing home sales decreased 1.5% m/m

The week ahead

- Manufacturing and services PMIs
- S&P/CS house price index
- PCE price index

Thought of the week

As the U.S. Federal Reserve continues to aggressively tighten monetary policy, the average 30-year mortgage rate has skyrocketed to a two-decade high of 6.94%. These higher borrowing costs, coupled with elevated home prices, have pushed housing affordability down to multi-decade lows and weighed on housing market activity overall. Underscoring this slowdown has been existing home sales, which have contracted every month since the start of the year and fell 1.5% m/m and 23.8% y/y to a seasonally adjusted annual rate of 4.71 million in September. Furthermore, and as shown in this week's chart, the NAHB Housing Market Index, which measures homebuilder confidence, dropped for the tenth straight month to levels last seen during the pandemic. Finally, this weakness has also reflected in housing starts, which fell 8.1% m/m to an annual rate of 1.439 million last month.

While U.S. home prices have started to moderate, we do not expect a collapse in the housing market. For one, the inventory of new and existing single-family homes is 1.536 million, well below the long-term average of 2.399 million. Further, leverage in the housing market, as measured by mortgage debt service payments as a percent of disposable income, sits at 3.9%, just more than half of the 7.2% peak seen in 2007. That said, a slowdown in the housing market will drag on economic growth, and with other parts of the economy beginning to slow as well, the risk of a policy error by the Federal Reserve continues to rise.

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	3753	4.75	4.75	-20.25	-16.23	31.10
Dow Jones 30	31083	4.93	8.31	-13.04	-10.89	23.38
Russell 2000	4330	3.57	4.70	-21.58	-23.12	16.66
Russell 1000 Growth	1451	5.42	3.70	-28.10	-24.58	38.43
Russell 1000 Value	871.79	3.93	5.50	-13.23	-11.18	19.27
MSCI EAFE	1680	0.55	1.12	-25.93	-25.54	-5.15
MSCI EM	865.04	0.21	-1.18	-27.76	-30.89	-8.77
NASDAQ	10860	5.22	2.71	-30.16	-28.09	36.25

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	5.15	-1.07	-2.49	-16.74	-16.11	-11.41
U.S. Corporates	6.10	-1.22	-2.67	-20.89	-20.02	-12.73
Municipals (10yr)	3.86	-0.88	-0.18	-10.75	-9.87	-4.08
High Yield	9.64	0.28	0.58	-14.25	-13.52	-1.07

Key Rates	Levels (%)					
	10/21/22	10/14/22	9/30/22	12/31/21	10/21/21	10/21/19
2-yr U.S. Treasuries	4.49	4.48	4.22	0.73	0.45	1.62
10-yr U.S. Treasuries	4.21	4.00	3.83	1.52	1.68	1.80
30-yr U.S. Treasuries	4.33	3.99	3.79	1.90	2.13	2.28
10-yr German Bund	2.44	2.30	2.13	-0.18	-0.10	-0.35
3-mo. LIBOR	4.36	4.19	3.75	0.21	0.12	1.93
3-mo. EURIBOR	1.54	1.40	1.17	-0.57	-0.55	-0.41
6-mo. CD rate	1.26	1.13	0.97	0.14	0.14	0.92
30-yr fixed mortgage	6.94	6.94	6.75	3.33	3.23	4.02
Prime Rate	6.25	6.25	6.25	3.25	3.25	5.00

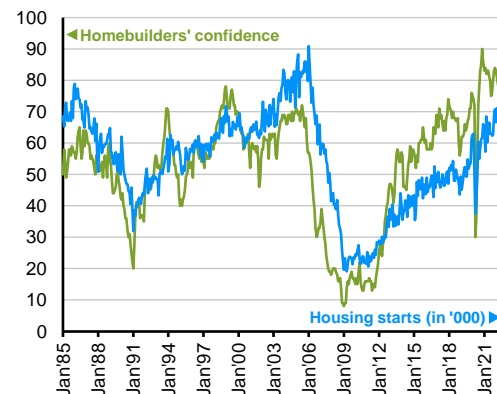
Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
15.96	3.76	1.69	31551	
15.64	4.19	2.03	8915	
17.59	1.92	1.34	2241	
21.19	9.33	0.99	17535	
12.88	2.25	2.29	17369	
11.24	1.52	3.58	12374	
10.50	1.51	3.63	5669	
22.20	4.80	0.92	17684	

Currencies	Levels		
	10/21/22	12/31/21	10/21/21
\$ per €	0.98	1.14	1.16
\$ per £	1.12	1.35	1.38
¥ per \$	149.99	115.16	113.88

Commod.	Levels		
	10/21/22	12/31/21	10/21/21
Oil (WTI)	85.05	75.33	82.64
Gasoline	3.87	3.28	3.32
Natural Gas	4.96	3.82	4.94
Gold	1643	1806	1779
Silver	18.39	23.09	24.23
Copper	7545	9692	10051
Corn	6.64	5.86	5.27
BBG Idx	240.57	211.80	220.37

Chart of the Week

Sharp fall in homebuilders' confidence is weighing on housing starts



Style Returns

	V	B	G
L	3.9	4.8	5.4
M	3.3	3.6	4.1
S	3.3	3.6	3.8
	V	B	G
L	-13.2	-20.3	-28.1
M	-17.2	-21.6	-29.6
S	-16.4	-21.6	-26.8

S&P 500 Sector Returns

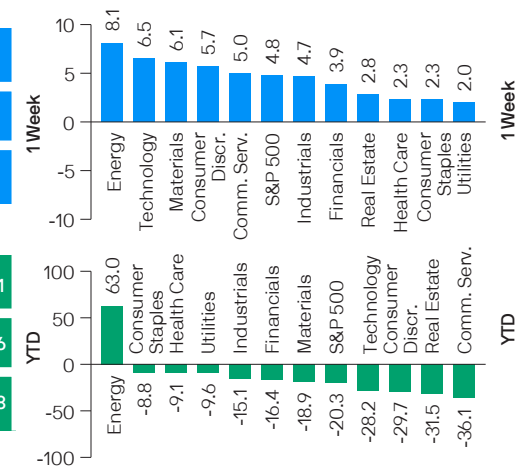




Chart of the Week: Source: NAHB, Census Bureau, J.P. Morgan Asset Management.

Thought of the week: Source: Freddie Mac, NAHB, Census Bureau, 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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