

# Weekly Market Recap

## The week in review

- Headline CPI +0.4% m/m, Core CPI +0.3% m/m
- Consumer sentiment fell to 54.7 in Nov. vs. 59.5 in Oct.

## The week ahead

- Retail sales
- Housing starts

## Thought of the week

After peaking at 9.1% y/y in June, inflation has slowly been receding. The October CPI report confirmed this trajectory as headline CPI surprised to the downside at 7.7% y/y – its smallest y/y increase since January. Core CPI also moderated to 6.3% y/y, down from 6.6% y/y in September.

We are seeing gathering evidence of disinflationary forces at play, the most notable being a cooling economy and improving supply chains. First, the Fed’s aggressive rate hikes appear to be working and October’s CPI report should give the Fed confidence to slow to 50 bps in December. Second, easing supply chains are acting as disinflationary tailwinds for core goods. The Global PMI suppliers’ delivery time index has returned to its pre-covid norm as 1) inventories have matched up more evenly with demand and 2) demand has cooled modestly due to higher rates. Global PMI input and output prices have also moderated, down 7.7 pts and 8.1 pts from their springtime peaks respectively. Beyond PMIs, port congestion has also improved. In January 2022, there were 100+ ships waiting to get into the Port of Los Angeles. Now, it hovers below 10 – a welcome sign of collapsing bottlenecks. As illustrated in the chart, the October 2021 peak in delivery times preceded the February 2022 peak in core goods inflation. As such, further improvements in supply chains should continue to act as a dampener on core goods inflation, albeit on a lag. In October, core goods inflation came in at 5.1% y/y, down from 6.7% y/y in September and its smallest y/y increase since April 2021. We expect this trend to continue as supply chains retreat to status quo. While inflation is finally moving away from its firmest period, risks for Fed overtightening still linger. Against this backdrop, investors should continue remaining defensive with well diversified portfolios at this time.

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             | 3993   | 5.93              | 11.55 | -15.08 | -12.76 | 35.83      |
| Dow Jones 30        | 33748  | 4.22              | 17.69 | -5.51  | -4.11  | 29.69      |
| Russell 2000        | 4679   | 4.64              | 13.23 | -15.19 | -20.80 | 22.55      |
| Russell 1000 Growth | 1518   | 7.67              | 8.57  | -24.72 | -23.20 | 41.05      |
| Russell 1000 Value  | 945.54 | 4.61              | 14.54 | -5.79  | -4.52  | 25.80      |
| MSCI EAFE           | 1918   | 8.43              | 15.61 | -15.33 | -15.86 | 5.84       |
| MSCI EM             | 935.73 | 5.74              | 6.94  | -21.82 | -24.58 | -3.60      |
| NASDAQ              | 11323  | 8.11              | 7.16  | -27.13 | -27.33 | 37.00      |

| Fixed Income      | Yield | Levels (%) |      |        |        |            |
|-------------------|-------|------------|------|--------|--------|------------|
|                   |       | 1 week     | QTD  | YTD    | 1 year | 3-yr. Cum. |
| U.S. Aggregate    | 4.73  | 2.29       | 0.59 | -14.10 | -14.11 | -8.25      |
| U.S. Corporates   | 5.60  | 2.62       | 1.25 | -17.70 | -17.85 | -8.88      |
| Municipals (10yr) | 3.69  | 1.24       | 1.01 | -9.69  | -9.32  | -2.51      |
| High Yield        | 8.94  | 1.20       | 2.99 | -12.20 | -11.87 | 1.13       |

| Key Rates             | Levels (%) |         |         |          |          |          |
|-----------------------|------------|---------|---------|----------|----------|----------|
|                       | 11/11/22   | 11/4/22 | 9/30/22 | 12/31/21 | 11/11/21 | 11/11/19 |
| 2-yr U.S. Treasuries  | 4.34       | 4.66    | 4.22    | 0.73     | 0.51     | 1.68     |
| 10-yr U.S. Treasuries | 3.82       | 4.17    | 3.83    | 1.52     | 1.56     | 1.94     |
| 30-yr U.S. Treasuries | 4.03       | 4.27    | 3.79    | 1.90     | 1.92     | 2.43     |
| 10-yr German Bund     | 2.15       | 2.29    | 2.13    | -0.18    | -0.24    | -0.26    |
| 3-mo. LIBOR           | 4.61       | 4.55    | 3.75    | 0.21     | 0.16     | 1.90     |
| 3-mo. EURIBOR         | 1.76       | 1.73    | 1.17    | -0.57    | -0.56    | -0.39    |
| 6-mo. CD rate         | 1.41       | 1.40    | 0.97    | 0.14     | 0.15     | 0.79     |
| 30-yr fixed mortgage  | 7.00       | 7.00    | 6.75    | 3.33     | 3.16     | 4.03     |
| Prime Rate            | N/A        | 7.00    | 6.25    | 3.25     | 3.25     | 4.75     |

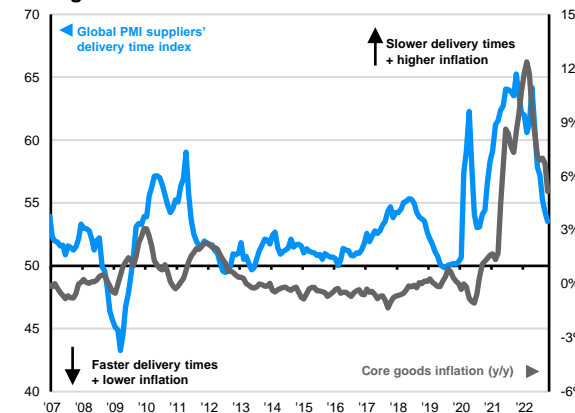
| Index Characteristics |      |           |               |
|-----------------------|------|-----------|---------------|
| NTM P/E               | P/B  | Div. Yld. | Mkt. Cap (bn) |
| 17.30                 | 3.95 | 1.60      | 33557         |
| 17.10                 | 4.47 | 1.87      | 9097          |
| 20.06                 | 2.00 | 1.25      | 2421          |
| 22.76                 | 9.63 | 0.96      | 18310         |
| 14.18                 | 2.40 | 2.12      | 18835         |
| 12.23                 | 1.63 | 3.42      | 14130         |
| 11.29                 | 1.56 | 3.75      | 6133          |
| 24.29                 | 4.96 | 0.88      | 18441         |

| Currencies | Levels   |          |          |
|------------|----------|----------|----------|
|            | 11/11/22 | 12/31/21 | 11/11/21 |
| \$ per €   | 1.03     | 1.14     | 1.15     |
| \$ per £   | 1.18     | 1.35     | 1.34     |
| ¥ per \$   | 139.07   | 115.16   | 113.97   |

| Commod.     | Levels   |          |          |
|-------------|----------|----------|----------|
|             | 11/11/22 | 12/31/21 | 11/11/21 |
| Oil (WTI)   | 88.96    | 75.33    | 81.47    |
| Gasoline    | 3.80     | 3.28     | 3.41     |
| Natural Gas | 5.88     | 3.82     | 4.81     |
| Gold        | 1759     | 1806     | 1858     |
| Silver      | 21.48    | 23.09    | 24.98    |
| Copper      | 8441     | 9692     | 9850     |
| Corn        | 6.33     | 5.86     | 5.64     |
| BBG Idx     | 253.29   | 211.80   | 220.67   |

## Chart of the Week

Easing supply chains should continue to cool down core goods inflation.



## Style Returns

|   | V    | B     | G     |
|---|------|-------|-------|
| L | 4.6  | 5.9   | 7.7   |
| M | 5.5  | 6.3   | 7.7   |
| S | 4.4  | 4.6   | 4.9   |
|   | V    | B     | G     |
| L | -5.8 | -15.1 | -24.7 |
| M | -8.8 | -13.8 | -22.8 |
| S | -8.8 | -15.2 | -21.6 |

## S&P 500 Sector Returns

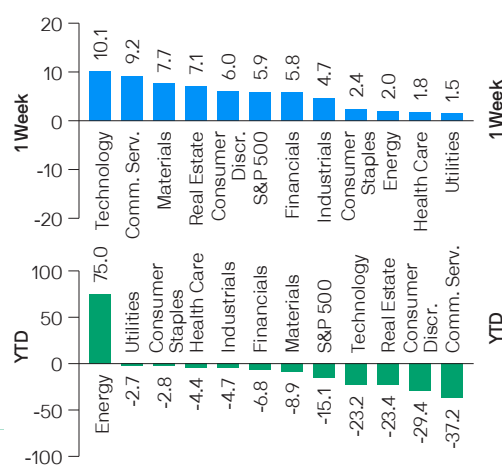




Chart of the Week: Source: BLS, S&P Global, J.P. Morgan Asset Management.

Thought of the week: Source: BLS, S&P Global, 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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