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INCORPORATED

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Market Week: May 16, 2022

The Markets (as of market close May 13, 2022)

Despite a late-week rally, stocks closed last week lower, extending the market's streak of losses to six consecutive weeks. In what proved to be a very choppy week of trading, each of the benchmark indexes lost value, led by the Nasdaq, which is down over 24.0% so far this year. The large caps of the Dow and the S&P 500 are down 11.4% and 15.6%, respectively, in 2022. On the other hand, 10-year Treasury yields have risen over 140 basis points so far this year. Last week, crude oil prices ended relatively flat, while the dollar advanced marginally. Gold prices slid lower. Investors are still grappling with the economic impact of the Federal Reserve's response to persistent inflation. In a sign that inflation is still running hot, two major inflation reports, the Producer Price Index and the Consumer Price Index (see below) showed annual increases of 11.0% and 8.3% through April.

Last Monday saw the S&P 500 dip 3.2% to fall below 4,000 for the first time since March 2021. Investors moved away from stocks, uncertain of how aggressive the Federal Reserve will be to slow rising inflation. The Nasdaq fell 4.3% to its lowest level since November 2020. The Russell 2000 dropped 4.2%, and the Dow declined more than 650 points, or 2.0%. Ten-year Treasury yields slipped 4.4 basis points, but remained over 3.00%, closing the day at 3.07%. The dollar was flat. Crude oil prices fell \$7.30 to \$102.47 per barrel.

Stocks ended last Tuesday slightly higher in a day of choppy trading. The Nasdaq gained 1.0% and the S&P 500 rose 0.3%. The Dow inched up less than 0.1%, the Global Dow gained 0.1%, while the Russell 2000 lost 0.3%. Ten-year Treasury yields fell for the second consecutive day, sliding more than 10 basis points to 2.97%. Crude oil prices also dipped below \$100.00, to close the day at around \$99.87 per barrel. The dollar increased, while gold prices fell.

Wall Street saw stocks retreat last Wednesday, with each of the benchmark indexes listed here ending the day in the red. A drop in the Consumer Price Index (see below) wasn't enough to temper investor concerns about rising inflation. Once again, the Nasdaq led the declines, dropping 3.2%, followed by the Russell 2000 (-2.5%), the S&P 500 (-1.7%), the Dow (-1.0%), and the Global Dow (-0.1%). Crude oil prices vaulted higher, jumping nearly \$5.50 to reach \$105.25 per barrel. The dollar and gold prices advanced, while 10-year Treasury yields fell to 2.92%.

Last Thursday was another day of extreme volatility in the market. Ultimately, the Nasdaq eked out a 0.1% gain, the Russell 2000 rose 1.2%, while the Dow (-0.3%) and the S&P 500 (-0.1%) dipped lower. Ten-year Treasury yields fell 10.4 basis points to 2.81% as bond prices climbed higher. Crude oil prices jumped for the second consecutive day, closing at \$106.73 per barrel. The dollar also advanced, while gold prices fell.

In what may prove to be a robust day of dip buying, stocks rebounded last Friday. Each of the benchmark indexes listed here posted solid gains, led by the Nasdaq (3.8%) and the Russell 2000 (3.3%). The S&P 500 advanced 2.4%, the Global Dow rose 1.6%, and the Dow gained 1.5%. As equity values rose, so did bond yields, reversing a rally in bond prices. Ten-year Treasury yields added 11.8 basis points to reach 2.93%. Crude oil prices advanced over \$4.00 to hit \$110.30 per barrel. The dollar slid lower for the first time all week.





Key Dates/Data Releases

5/17: Retail sales, industrial production

5/18: Housing starts

5/19: Existing home sales

Stock Market Indexes


Market/Index	2021 Close	Prior Week	As of 5/13	Weekly Change	YTD Change
DJIA	36,338.30	32,899.37	32,196.00	-2.14%	-11.40%
Nasdaq	15,644.97	12,144.66	11,805.00	-2.80%	-24.54%
S&P 500	4,766.18	4,123.34	4,023.89	-2.41%	-15.57%
Russell 2000	2,245.31	1,839.56	1,792.67	-2.55%	-20.16%
Global Dow	4,137.63	3,805.92	3,743.16	-1.65%	-9.53%
Fed. Funds target rate	0.00%-0.25%	0.75%-1.00%	0.75%-1.00%	0 bps	75 bps
10-year Treasuries	1.51%	3.12%	2.93%	-19 bps	142 bps
US Dollar-DXY	95.64	103.67	104.56	0.86%	9.33%
Crude Oil-CL=F	\$75.44	\$110.56	\$110.46	-0.09%	46.42%
Gold-GC=F	\$1,830.30	\$1,882.10	\$1,806.90	-4.00%	-1.28%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Inflation decelerated in April, according to the Consumer Price Index. The CPI rose 0.3% last month after advancing 1.2% in March. The year-over-year rate lowered from 8.5% in March to 8.3% in April. However, the CPI, excluding food and energy prices, rose 0.3 percentage point to 0.6% in April. Helping to pull the April CPI lower was a 2.7% drop in energy prices after increasing 11.0% in March. On the other hand, food prices rose 0.9% in April and have increased 9.4% over the last 12 months, the largest year-over-year increase since April 1981. Also, contributing to the April rise in the CPI were increases in prices for shelter, airline fares, new vehicles, medical care, recreation, and household furnishings and operations. Whether the April data is a sign of slowing inflation remains to be seen. It is unlikely to have an immediate impact on the fiscal tightening policy of the Federal Reserve.
- The Producer Price Index for April rose 0.5% after advancing 1.6% in March. Producer prices have increased 11.0% since April 2021. Energy and food prices increased last month and have risen 40.0% and 16.3%, respectively, over the past 12 months. Also marking a notable increase in April were prices for construction, which climbed 4.0%. Prices less foods, energy, and trade services moved up 0.6% in April after increasing 0.9% in March. For the 12 months ended in April, the index less foods, energy, and trade services rose 6.9%.
- In a sign that inflationary pressures may have peaked, April import prices were unchanged from a month earlier. Import prices are up 12.0% since April 2021. Fuel import prices declined 2.4% in April following a 17.3% increase the previous month, the first one-month drop since December 2021. Despite the decrease in April, import fuel prices rose 64.3% over the past 12 months. Nonfuel import prices increased 0.4% in April. Higher prices for nonfuel industrial supplies and materials, capital goods, foods, feeds, and beverages, and automotive vehicles all contributed to the April increase in nonfuel import prices. Nonfuel imports rose 7.2% over the past 12 months. Export prices advanced 0.6% last month after climbing 4.1% in March. Agricultural exports advanced 1.1% in April, after increasing 4.3% the previous month. Nonagricultural exports advanced 0.5% in April following an increase of 4.1% in March.
- The federal budget in April posted a \$308.2 billion surplus, compared to a \$225.6 billion deficit a year ago. Government receipts totaled \$863.6 billion, or \$548.4 billion more than March receipts and 97.0% above the total from April of last year. Government expenditures were \$555.4 billion, or \$47.6 billion more than March outlays. Through the first seven months of the fiscal year, the government budget deficit sits at \$360.0 billion, 81.0% lower than the \$1,931.8 billion shortfall over the same period last year. Contributing to the increase in government receipts this fiscal year is a 69.0% increase in individual income tax receipts. Also, employment and general retirement tax receipts are up 7.0% and corporate income taxes increased 22.0%.
- The national average retail price for regular gasoline was \$4.328 per gallon on May 9, \$0.146 per gallon above the prior week's price and \$1.367 higher than a year ago. Also as of May 9, the East Coast price increased \$0.15 to \$4.24 per gallon; the Gulf Coast price rose \$0.15 to \$4.01 per gallon; the Midwest price climbed \$0.17 to \$4.15 per gallon; the West Coast price increased \$0.12 to \$5.22 per gallon; and the Rocky Mountain price increased \$0.04 to \$4.23 per gallon. Residential heating oil prices averaged \$3.95 per gallon on May 6, about \$0.83 per gallon less than the prior week's price. U.S. crude oil refinery





inputs averaged 15.7 million barrels per day during the week ended May 6, which was 230,000 barrels per day more than the previous week's average. During the week ended May 6, refineries operated at 90.0% of their operable capacity, and gasoline production increased, averaging 9.7 million barrels per day.

- For the week ended May 7, there were 203,000 new claims for unemployment insurance, an increase of 1,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended April 30 was 1.0%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended April 30 was 1,343,000, a decrease of 44,000 from the previous week's level, which was revised up by 3,000. This is the lowest level for insured unemployment since January 3, 1970, when it was 1,332,000. States and territories with the highest insured unemployment rates for the week ended April 23 were California (2.1%), New Jersey (2.1%), Alaska (1.9%), Rhode Island (1.8%), New York (1.7%), Puerto Rico (1.6%), Massachusetts (1.5%), Minnesota (1.5%), Pennsylvania (1.4%), Connecticut (1.3%), and Illinois (1.3%). The largest increases in initial claims for the week ended April 30 were in New York (+7,329), Illinois (+3,140), Kentucky (+1,152), Michigan (+1,092), and New Hampshire (+469), while the largest decreases were in Massachusetts (-3,029), California (-2,816), New Jersey (-2,466), Connecticut (-2,319), and Ohio (-2,018).





Eye on the Week Ahead

The April figures for existing home sales are out this week. The housing sector has slowed from last year's torrid pace. Sales of existing homes have declined in both February and March. An indicator of consumer spending, the retail sales report for April is available this week. March saw retail sales advance 0.5%, bringing the year-over-year increase to 5.5%. Also out this week is the Federal Reserve's monthly index of industrial production for April. Industrial production advanced 0.9% in March and is up 5.5% from March 2021.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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