MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

6/17/22

THE WEEK IN REVIEW

Financial markets endured another volatile week as investors considered the likelihood and timing of a potential global economic recession. On Monday, the S&P 500 slumped nearly 4%, joining the Nasdaq and Russell 2000 in bear market territory. For the full week, all three major U.S. equity averages declined by at least 4.7%. This week's elevated volatility across asset classes was largely driven by last Friday's hotter-than-expected May inflation print and growing expectations of a more aggressive response from the Federal Reserve. On Wednesday the Fed Reserve raised interest rates by 0.75%, the largest increase since 1994. Fed Chair Jerome Powell suggested additional rate hikes of this magnitude could come as early as next month should inflation pressures persist. The yield on the U.S. 10-year Treasury note surged from 3.16% Friday to as high as 3.49% late Tuesday afternoon ahead of the Fed's rate decision before falling back to 3.24% in late trading today. Other global central banks followed the Fed's lead. On Thursday, The Bank of England raised rates for the fifth consecutive time, while the Swiss National Bank hiked its benchmark for the first time since 2007. The Hong Kong Monetary Authority also hiked rates by 75 bps, signaling a global effort to reduce inflationary pressures.

West Texas Intermediate (WTI) crude oil futures climbed above $123 per barrel earlier this week as Russia's state-backed Gazprom PJSC announced another reduction in natural gas supplies flowing through the Nord Stream pipeline. The Biden administration, which has been desperate to be seen as trying to combat inflation is reportedly considering imposing limits on exports of gasoline and diesel. By this afternoon, WTI fell below $110 per barrel as traders appeared to position for some demand destruction.

This week's economic data calendar began with U.S. producer price index (PPI) data for May, which showed an increase of 0.8% in May from 0.4% in April. On a year-over-year basis PPI climbed 10.8% which was a slight deceleration from 11.0% the prior month. U.S retail sales dropped 0.3% in May amid higher gas and food prices. Excluding auto and gas, retail sales climbed 0.1% from 0.8% in April. Initial claims for unemployment insurance in the U.S. declined by 3,000 to 229,000 in the week ended June 11. The reading surpassed the median estimate of 217,000. In the housing market, the sixth consecutive monthly decline in U.S homebuilder sentiment was reported on Wednesday driven by rising inflation and higher mortgages rates. Housing starts declined 14.4% in May to an annualized rate of 1.55 million units, missing the consensus estimate of 1.69 million units.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
NFIB Small Business Optimism	93.1	95.7	▼
Producer Price Index (Y/Y)	10.8%	10.4%	▲
Retail Sales (M/M)	-0.3%	1.7%	▼
Housing Starts (Millions Annualized)	1.55	1.78	▼
Building Permits (Millions Annualized)	1.70	1.86	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	29888.78	-4.79%	-17.75%	-11.63%
NASDAQ	10798.35	-4.78%	-30.98%	-23.75%
S&P 500	3674.84	-5.79%	-22.90%	-12.96%
MSCI EAFE	1847.03	-4.51%	-20.93%	-21.41%
Bbg Barclays Aggregate US	2084.38	-0.94%	-11.50%	-11.16%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.57%	1.04%	0.03%
10-Year Treasury	3.24%	2.99%	1.50%

REPORTS DUE NEXT WEEK	LATEST
Existing Home Sales (Millions Annualized)	5.61
S&P Global U.S. Manufacturing PMI	57.0
S&P Global U.S. Services PMI	53.4
U. of Mich. Consumer Sentiment	50.2
New Home Sales (Thousands Annualized)	591

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.