MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE 6/24/22

THE WEEK IN REVIEW

Equity markets rallied this week as weaker economic data reduced investors' expectations for interest rate hikes. Higher growth sectors and interest rate-sensitive sectors led the S&P 500 higher amid lower bond yields. The S&P 500 health care, consumer discretionary, real estate, and utilities sectors each gained around 7% or more this week. The U.S. 10-year Treasury yield moved below 3.20% and briefly approached 3.00% on Thursday. Energy was the only S&P 500 sector with a weekly decline. West Texas Intermediate (WTI) crude oil prices traded between $102 and $112 per barrel this week and moved roughly 10% lower over the last two weeks as concerns about slowing global economic growth weighed on the outlook for oil demand.

Federal Reserve Chair Jerome Powell provided his semiannual monetary policy testimony before Congress on Wednesday and Thursday. Powell reiterated the Fed's stance of being strongly committed to reducing inflation and keeping longer term inflation expectations anchored. Powell said he thinks the economy is "very strong and well positioned" to handle higher interest rates, but the prospect of a soft landing has become more difficult, and a recession is a possibility. Powell added that the strength of the labor market and plentiful job openings should limit the amount of job losses if businesses cut costs.

The University of Michigan's Consumer Sentiment index continued its drastic decline, falling to 50 in June from 58.4 in May and down 42% compared to its 85.5 level a year ago. Consumers' inflation expectations for the next 12 months eased slightly to 5.3% from the preliminary reading of 5.4% earlier in June. Consumers' long-term expectations for inflation over 5 to 10 years moved up slightly to 3.1% from 3.0%. Stability in consumer inflation expectations was an encouraging sign for investors since the rise in expectations this spring contributed to the Fed raising rates by 0.75%.

The S&P Global U.S. Manufacturing PMI dropped to 52.4 this month, marking the lowest reading in almost two years. Meanwhile, the services PMI continued its decline, shifting lower to 51.6 this month. A decline in new orders weighed on activity in both the manufacturing and services sectors. Manufacturing input prices and output prices charged to customers rose by the slowest pace of the year, a potential sign of easing inflation pressures.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
U. of Mich. Consumer Sentiment	50.0	59.4	▼
Existing Home Sales (Millions Annualized)	5.4	5.9	▼
New Home Sales (Thousands Annualized)	696.0	790.0	▼
S&P Global U.S. Manufacturing PMI	52.4	58.8	▼
S&P Global U.S. Services PMI	51.6	58.0	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	31500.68	5.39%	-13.31%	-7.88%
NASDAQ	11607.62	7.49%	-25.81%	-19.22%
S&P 500	3911.74	6.45%	-17.93%	-8.31%
MSCI EAFE	1837.39	0.79%	-21.35%	-21.17%
Bbg Barclays Aggregate US	2102.45	0.85%	-10.73%	-10.47%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	1.61%	1.04%	0.04%
10-Year Treasury	3.14%	2.75%	1.49%

REPORTS DUE NEXT WEEK	LATEST
GDP (Q/Q Annualized)	-1.5%
Core PCE Price Index (Y/Y)	4.9%
Personal Spending (Y/Y)	9.2%
S&P CoreLogic Case-Shiller U.S. HPI (Y/Y)	21.2%

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