MAINSTREET ADVISORS

FINANCIAL MARKET UPDATE

11/18/22

THE WEEK IN REVIEW

A steady drip of hawkish comments from Fed officials this week more than offset a batch of generally strong corporate earnings and economic data that suggested a combination of easing inflation and resilient consumer spending. The result was a 0.7% weekly decline for the S&P 500 after the benchmark surged 5.9% the prior week. Federal Reserve Bank of St. Louis President James Bullard stated interest rates need to reach a "sufficiently restrictive" level of around 5% to 7% to subdue inflation. Fed Governor Christopher Waller said "we've still got a ways to go" before stopping rate hikes. Finally, Federal Reserve Bank of Boston President Susan Collins said early Friday morning that October's softer-than-expected consumer price index (CPI) data has not changed her view that additional interest rate hikes followed by a period of elevated rates will be required to tame inflation.

Of the eleven major S&P 500 sectors, only consumer staples (1.7%), health care (1.0%) and utilities (0.8%) finished in positive territory this week. In bond markets, the 2-year to 10-year portion of the U.S. Treasury yield curve moved further into inversion territory. The yield on the 10-year note edged up to 3.82%, while the yield on the policy-sensitive 2-year maturity climbed 19 basis points to 4.52%. West Texas Intermediate (WTI) crude oil futures were down 9.8% on the week late in today's session as investors expressed skepticism about the pace of demand recovery in China despite its recent easing of COVID-19 restrictions.

U.S. producer prices increased less than expected last month, adding to hopes that inflation may be decelerating. According to the Bureau of Labor Statistics, the producer price index (PPI) increased 0.2% in October. On a year-over-year basis, PPI gained 8% compared to an 8.4% increase in September, and a record 11.7% earlier this year. Excluding food and energy, the so-called core index was flat on the month and up 6.7% on the year.

Getting an early start on the holiday shopping season, Americans spent more in October than most economists expected. U.S. retail sales rose 1.3% last month, marking the biggest monthly gain since February and suggesting consumer resilience despite high inflation. New U.S. home construction dropped again in October as rising mortgage rates continued to keep potential buyers on the sideline, cooling off the once red-hot housing market. According to the Commerce Department data, U.S. housing starts declined 4.2% last month to an annual rate of 1.425 million units. Existing home sales also declined for the ninth straight month, dropping 5.9% from September to October.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Producer Price Index (Y/Y)	8.0%	9.7%	▼
Core Producer Price Index (Y/Y)	6.7%	7.6%	▼
Retail Sales (M/M)	1.3%	-0.4%	▼
Housing Starts (Millions Annualized)	1.425	1.377	▲
Existing Home Sales (Millions Annualized)	4.430	4.820	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	33745.69	-0.01%	-7.13%	-5.92%
NASDAQ	11146.06	-1.57%	-28.76%	-30.31%
S&P 500	3965.34	-0.69%	-16.80%	-15.71%
MSCI EAFE	1901.59	-0.88%	-18.60%	-19.09%
Bbg Barclays Aggregate US	2035.55	0.62%	-13.57%	-13.36%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	4.22%	3.87%	0.05%
10-Year Treasury	3.83%	4.01%	1.59%

REPORTS DUE NEXT WEEK	LATEST
Durable Goods Orders (M/M)	0.4%
New Home Sales (Thousands Annualized)	603
U. of Mich. Consumer Sentiment	54.7
S&P Global U.S. Composite PMI	48.2

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