

*In this week's recap: White hot inflation report alarms investors.*

# Weekly Economic Update

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*September 19, 2022*

## THE WEEK ON WALL STREET

A hotter-than-expected inflation report sent stocks sharply lower last week as investors faced the prospect of more aggressive interest rate hikes by the Federal Reserve for perhaps a longer period.

The Dow Jones Industrial Average fell 4.13%, while the Standard & Poor's 500 lost 4.77%. The Nasdaq Composite index dropped 5.48% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, dipped 1.78%.<sup>1,2,3</sup>

## INFLATION DEFLATES MARKETS

Stocks suffered their worst day in more than two years last Tuesday as markets were caught off-guard by a higher-than-anticipated August inflation report.

Markets expected the August report to show a substantial cooling of inflation, potentially allowing the Fed to ease up on interest rate hikes. Instead, the elevated inflation number not only undercut those easing hopes but raised the possibility of a more significant rate hike. On Tuesday, traders assigned a 28% probability of a 100 basis point hike, from a 0% chance just the day before. Price action remained choppy for the remainder of the week, closing the week with additional losses as a global package-delivery company warned of a worldwide recession.<sup>4</sup>

## AUGUST CPI DISAPPOINTS

August's Consumer Price Index (CPI) rose 8.3% from a year ago, showing a continued deceleration in price increases (July's CPI was 8.5%, and June's was 9.1%). Despite moderating price increases, traders were disappointed, given the general expectation of a more substantial slowdown in inflation.<sup>5</sup>

Core inflation (excluding food and energy) was particularly alarming to investors, which jumped 6.3% year-over-year. That number was well above the 5.9% rate from June and July. From the market's perspective, sufficient inflationary pressures exist for the Fed to maintain its hawkish interest rate policy for possibly longer than investors had hoped.<sup>6</sup>

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### TIP OF THE WEEK



*The fine print on a lease or a mortgage is always worth reading. Ask the business owners and homeowners who have learned this from experience.*

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Housing Starts.

**Wednesday:** Federal Open Market Committee (FOMC) Meeting Announcement. Existing Home Sales.

**Thursday:** Index of Leading Economic Indicators. Jobless Claims.

**Friday:** Purchasing Managers' Index (PMI) Composite.

Source: Econoday, September 16, 2022

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

## THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

**Monday:** AutoZone, Inc. (AZO).

**Wednesday:** General Mills, Inc. (GIS).

**Thursday:** Costco Wholesale Corporation (COST), FedEx Corporation (FDX), Lennar Corporation (LEN).

Source: Zacks, September 16, 2022

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

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### QUOTE OF THE WEEK

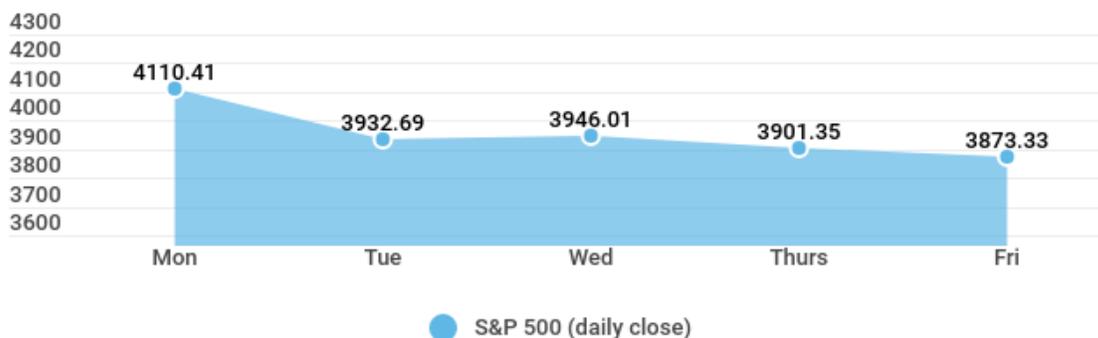


*“There is nothing in a caterpillar that tells you it's going to be a butterfly.”*

BUCKMINSTER FULLER

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Market Index	Close	Week	Y-T-D
DJIA	30,822.42	-4.13%	-15.18%
NASDAQ	11,448.40	-5.48%	-26.82%
MSCI-EAFE	1,806.03	-1.78%	-22.69%
S&P 500	3,873.33	-4.77%	-18.73%



	Treasury	Close	Week	Y-T-D
	10-Year Note	3.45%	+0.12%	+1.93%

Sources: The Wall Street Journal, September 16, 2022; Treasury.gov, September 16, 2022  
 Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, September 9, to Friday, September 16, close. Weekly performance for the MSCI-EAFE is measured from Friday, September 9, open to Thursday, September 15, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*We all have one, and even though it often demands an answer,  
it offers no question. What is this everyday item?*

*LAST WEEK'S RIDDLE: Gerald Ford was our 38th President, but he was actually the 37th man to take the  
job. Why was that?*

*ANSWER: Grover Cleveland was both the 22nd and 24th President of the U.S.; he served two non-  
consecutive terms.*

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**Know someone who could use information like this?**

Please feel free to send us their contact information via phone or email. (Don't worry – we'll  
request their permission before adding them to our mailing list.)

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The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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Please consult your financial professional for additional information.

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1. The Wall Street Journal, September 16, 2022
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4. The Wall Street Journal, September 13, 2022
5. The Wall Street Journal, September 13, 2022
6. The Wall Street Journal, September 13, 2022