

Market Insights - September 9, 2022

WALL STREET SNAPS 3-WEEK LOSING STREAK AS THE FED SUGGEST INFLATION MIGHT BE MODERATING AND OIL PRICES DECLINE AGAIN

- Wall Street saw the four-day, holiday-shortened week snap a three-week losing streak, as the major equity indices all advanced, erasing most of last week's declines
- When Friday was over, NASDAQ had jumped 4.1%, followed by the small-cap Russell 2000 (+4.0%), the large-cap S&P 500 (+3.6%) and the 30-stock DJIA (+2.7%)
- When traders came back from the Labor Day weekend, Tuesday appeared to be heading south as the previous three weeks had, but then a lot of positive sentiment took over and the markets moved up on each of the remaining three days of the week
- All 11 S&P 500 sectors recorded gains this week, with Consumer Discretionary (+5.6%) leading the way and Energy (+0.6%) bringing up the rear
- Surprisingly, 8 of the 11 sectors gained more than 3% on the week
- Volatility, as measured by the CBOE Volatility Index, fell more than 10% to 22.8
- The American Association of Individual Investors Survey showed bearish sentiment among individual investors hit 53.3%, versus the historical average of 30.5%, and bullish sentiment slumped to 18.1%, versus an historical average of 38.0%
- The 2-year Treasury yield moved up to 3.57% while the 10-year Treasury yield moved up to 3.32%

Weekly Market Update – September 9, 2022

	Close	Week	YTD
DJIA	32,152	+2.7%	-11.5%
S&P 500	4,067	+3.6%	-14.7%
NASDAQ	12,112	+4.1%	-22.6%
Russell 2000	1,883	+4.0%	-16.1%
MSCI EAFE	1,823	+0.7%	-21.3%
Bond Index*	2,083.96	-0.60%	-11.5%
10-Year Treasury	3.32%	+0.12%	+1.8%

*Source: Bonds represented by the Bloomberg Barclays US Aggregate Bond TR USD. This chart is for illustrative purposes only and does not represent the performance of any specific security. Past performance cannot guarantee future results

Stocks Advance and Snap 3-Week Losing Streak

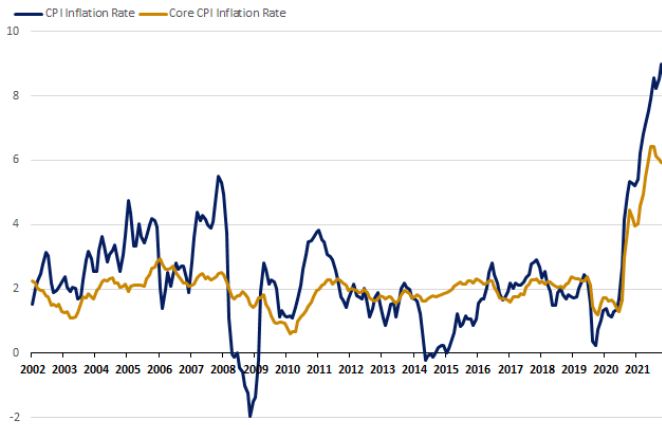
Equities snapped a three week losing streak, as the major indices erased most of last week's declines while investors grew confident coming out of the Labor Day weekend.

There was no big economic news or earnings reports that pushed Wall Street higher, but there were some subtle feelings that maybe we are close to a bottom – as oil dropped, inflation appeared to moderate in some spots, manufacturing came in stronger than expected and jobless claims pointed to a still healthy but tight labor market.

Looking at inflation, Wall Street took note of the Fed's Beige Book, which summarizes economic reports from its branches, as it indicated that there are signs that inflation might be cooling. Specifically, the Beige Book indicated that price increases were moderating in 9 of the 12 districts,

mostly driven by lower fuel prices.

Has Inflation Started to Moderate?



U.S. ISM Services Sector Index Hits Highest Level in Four Months

On Tuesday, September 6th, the Institute for Supply Management reported that:

“Economic activity in the services sector grew in August for the 27th month in a row — with the Services PMI registering 56.9% — say the nation's purchasing and supply executives in the latest Services ISM[®] *Report On Business*.

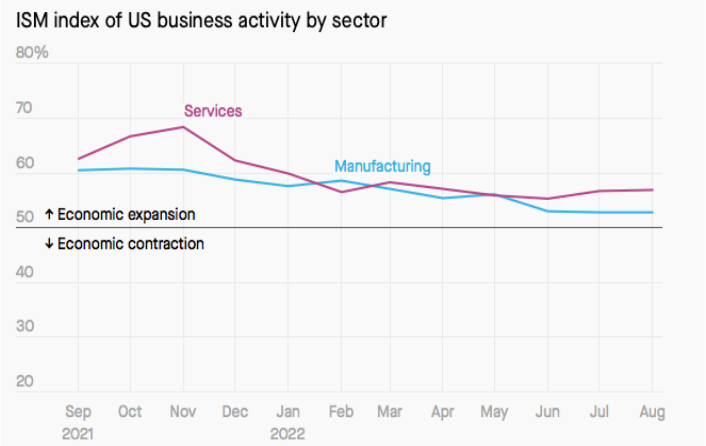
- In August, the Services PMI registered 56.9%, higher than July's reading of 56.7%.
- The Business Activity Index registered 60.9%, an increase of 1% point compared to the reading of 59.9% in July.
- The New Orders Index figure of 61.8% is 1.9% points higher than the July reading of 59.9%.

“The Supplier Deliveries Index registered 54.5%, 3.3% points lower than the 57.8% reported in July. (Supplier Deliveries is the only ISM Report On Business index that is inverted; a reading of above 50% indicates slower deliveries, which is typical as the economy improves and customer demand increases.)

“The Prices Index decreased for the fourth consecutive month in August, down 0.8% point to 71.5%. Despite an improvement in inventory levels, services businesses still continue to struggle to replenish their stocks, as the Inventories Index contracted for the third consecutive

month; the reading of 46.2% is up 1.2% points from July's figure of 45%. The Inventory Sentiment Index (47.1%, down 3% points from July's reading of 50.1%) moved back into contraction territory in August.

According to the Services PMI, 14 industries reported growth. The composite index indicated growth for the 27th consecutive month after a two-month contraction in April and May 2020. Growth continues — at a slightly faster rate — for the services sector, which has expanded for all but two of the last 151 months. The services sector had a slight uptick in growth for the month of August due to increases in business activity, new orders and employment. Based on comments from Business Survey Committee respondents, there are some supply chain, logistics and cost improvements; however, material shortages remain a challenge. Employment improved slightly despite a restricted labor market.”



Industry Performance

- The 14 services industries reporting growth in August — listed in order — are: Mining; Real Estate, Rental & Leasing; Utilities; Construction; Educational Services; Information; Transportation & Warehousing; Wholesale Trade; Health Care & Social Assistance; Public Administration; Finance & Insurance; Management of Companies & Support Services; Professional, Scientific & Technical Services; and Other Services.
- The two industries reporting a decrease in the month of August are: Agriculture, Forestry, Fishing & Hunting; and Arts, Entertainment & Recreation.

Jobless Claims Drop to Lowest Level in 3 Months

For the week ending September 3rd, the advance figure for seasonally adjusted initial claims was 222,000, a decrease of 6,000 from the previous week's revised level.



In addition:

- The 4-week moving average was 233,000, a decrease of 7,500 from the previous week's revised average.
- The advance seasonally adjusted insured unemployment rate was 1.0 percent for the week ending August 27, unchanged from the previous week's unrevised rate.
- The 4-week moving average was 1,439,000, an increase of 10,750 from the previous week's revised average.

Sources: dol.gov; ismworld.org; msci.com; fidelity.com; nasdaq.com; bls.gov; wsj.com; bls.gov; morningstar.com; census.gov.