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Market Insights - September 30, 2022

WALL STREET CLOSES OUT A ROTTEN SEPTEMBER WITH ANOTHER DOWN WEEK AS EQUITY AND BOND MARKETS DROP

- September has historically been the worst month of the year and its final week closed out the worst of the months so far in 2022 with more significant declines for the major equity and bond indices
- When the week closed, the DJIA and S&P 500 were both down another 2.9%, whereas NASDAQ dropped another 2.7% and the smaller-cap Russell 2000 lost "just" 0.7%
- There was nothing especially significant in terms of news this week, but rates continued rising, pushing the bond markets into more volatility than normal amidst worries that a recession is right around the corner
- Of the 11 S&P 500 sectors, only the Energy sector (+1.8%) was positive while the other end of the spectrum was Utilities, which lost 8.8%
- Speaking of 8% drops, Apple lost more than that on the week, which also seemed to hang-over Wall Street as a harbinger of bad things to come
- The third reading of the Consumer Price Index came out, almost to remind Wall Street that inflation was indeed still stubbornly high
- In addition to CPI numbers, low initial jobless claims were reported (193,000)
- Volatility, as measured by the VIX, remained high, bouncing around the low 30s all week

Weekly Market Update – September 30, 2022

	Close	Week	YTD
DJIA	28,729	-2.9%	-20.9%
S&P 500	3,586	-2.9%	-24.8%
NASDAQ	10,576	-2.7%	-32.4%
Russell 2000	1,665	-0.7%	-25.9%
MSCI EAFE	1,661	-1.6%	-28.8%
Bond Index*	2,017.22	-0.50%	-14.4%
10-Year Treasury	3.82%	+0.12%	+2.3%

**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 Retreat for the 3rd Week in a Row

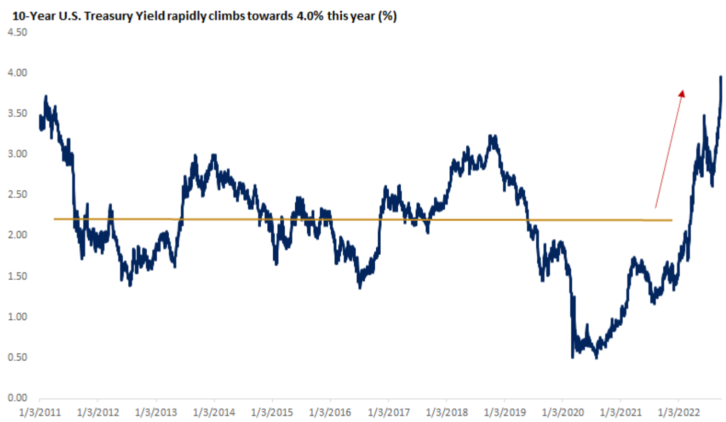
Worries around the world, especially in the UK but also domestically, pushed Wall Street to end the final week of September in the red, further deepening September's losses and pushing markets firmly into bear market territory. And as if the week's losses were not bad enough, investors will soon open their quarterly account statements and notice that the S&P 500 has given them 3 consecutive quarters of red numbers – the first time since 2009.

Of the week's economic news, it was mixed, mostly because much of the data seemed way too stale to be real:

- Consumer sentiment rose
- Investor sentiment rose
- GDP for the 2nd quarter was still down 0.6%
- Weekly jobless claims fell to 193,000

- Mortgage rates breached 7%
- New home sales jumped to a 5-month high in August
- Pending sales for new and existing homes dropped slightly
- The Case-Shiller Home Price Index fell 0.24% in July, its first monthly decline since early 2012

And while most were anxiously watching the equity markets decline, the 10-year Treasury was making moves too – and none of them were really good, as it crested 4.00% before settling down some.



GDP (Still) Down in 2nd Quarter

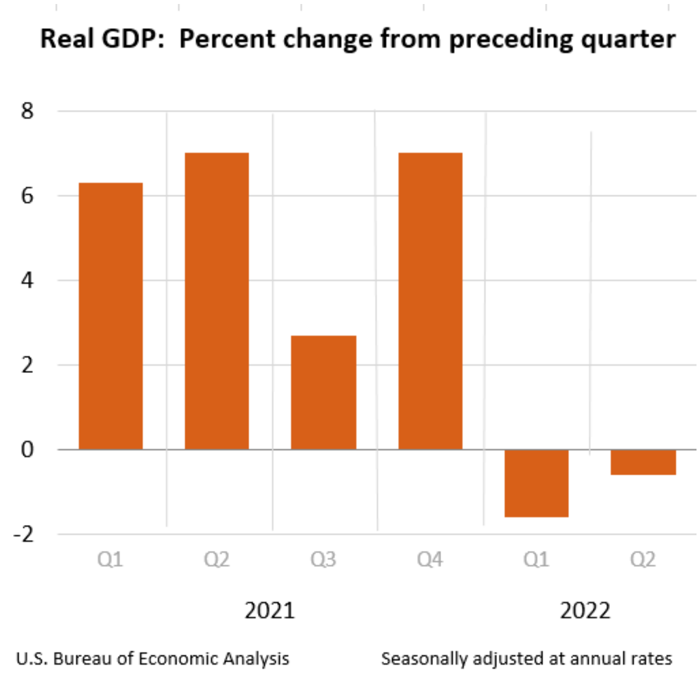
On Thursday, the Bureau of Economic Analysis released their third estimate of 2nd quarter GDP and announced that it decreased at an annual rate of 0.6%, following a decrease of 1.6% in the first quarter. This third estimate was the same as was announced in the second estimate in August.

- The smaller decrease in the second quarter, compared to the first quarter, reflected an upturn in exports and an acceleration in consumer spending.

- Profits increased 4.6% at a quarterly rate in the second quarter after increasing 0.1% in the first quarter.

- Private goods-producing industries decreased 10.4%, private services producing industries increased 2.0%, and government decreased 0.2%.

Overall, 9 of 22 industry groups contributed to the second-quarter decline in real GDP.



Consumer Confidence Increased in September for the 2nd Month in a Row

On Tuesday, September 27th, it was announced that the Conference Board's ***Consumer Confidence Index*** increased in September for the second consecutive month. The Index now stands at 108.0 (1985=100), up from 103.6 in August.

- The ***Present Situation Index*** – based on consumers' assessment of current business and labor market conditions – rose to 149.6 from 145.3 last month.
- The ***Expectations Index*** – based on consumers' short-term outlook for income, business, and labor market conditions – increased to 80.3 from 75.8.

Present Situation
Consumers' appraisal of current **business conditions** was more favorable in September.
- 20.8% of consumers said business conditions were "good," up from 19.0%.
- 21.2% of consumers said business conditions were "bad," down from 22.6%.

Consumers' assessment of the **labor market** improved.
- 49.4% of consumers said jobs were "plentiful," up from 47.6%.
- 11.4% of consumers said jobs were "hard to get," down slightly from 11.6%.

Expectations Six Months Hence

Consumers were more positive about the **short-term business conditions outlook** in September.

- 19.3% of consumers expect business conditions to improve, up from 17.3%.
- 21.0% expect business conditions to worsen, down from 21.7%.

Consumers were more optimistic about the **short-term labor market outlook**.

- 17.5% of consumers expect more jobs to be available, up from 17.1%.
- 17.7% anticipate fewer jobs, down from 19.6%.

Consumers were mixed about their **short-term financial prospects.**

- 18.4% of consumers expect their incomes to increase, up from 16.6%.
- Conversely, 14.3% expect their incomes will decrease, up from 13.9%.

Further:

- The Conference Board Coincident Economic Index for the U.S. increased by 0.1%in August 2022 to 108.7 (2016=100), after increasing by 0.5% in July.

- The CEI rose by 0.6% over the six-month period from February to August 2022, slower than its growth of 1.5% over the previous six-month period.

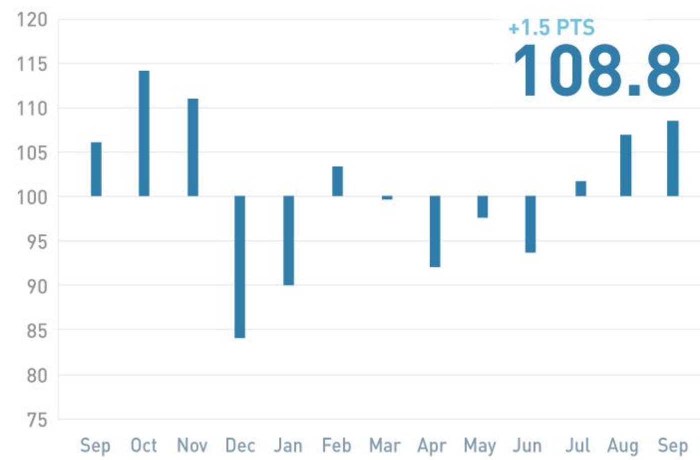
- The Conference Board Lagging Economic Index for the U.S. increased by 0.7% in August 2022 to 115.4

Investor Confidence Index Up

The State Street Investor Confidence Index provides an objective, quantitative measure of global risk tolerance of the world's sophisticated investors. Regional components measure separately the risk appetites of institutional investors in North America, Europe and the Asia-Pacific region.

On Wednesday, it was announced that:

"The Global Investor Confidence Index increased to 108.8, up 1.5 points from August's revised reading of 107.3. The increase was led by an 7.7 point jump in Asian ICI to 100.1. North American ICI rose as well, up 2.4 points to 109. European ICI, meanwhile, fell 5.5 points to 100.1."



The release further stated that:

"Despite heightened equity market volatility experienced globally, risk sentiment expressed by institutional investors remained steady in September as the Global ICI rose slightly to 108.8. As anticipated, European investors were rattled by a continued energy crisis, diminishing growth prospects and hawkish global central banks; as a result the EMEA ICI tumbled 5.9 points. Going forward, it will be important to monitor whether the dip in European investor confidence persists given the market's negative reaction to the UK's recent fiscal plans. Overall, the increase in the September Global ICI can be largely attributed to Asia-Pacific investors as risk appetite grew in tandem with the reopening of borders and easing of restrictions in Macau and Chengdu China."

Sources: conference-board.org; bea.gov; statestreet.com; msci.com; fidelity.com; Nasdaq.com; wsj.com; morningstar.com