



### Weekly Recap

U.S. Government bond yields have risen precipitously across the curve during the week prior to Friday's steepening move. Both the 5-year and 10-year U.S. Treasury yields have surpassed 4.5% and 4.3%, respectively, marking the highest levels seen by each tenor since 2007. The market is currently pricing in at least an additional 125 basis points (bps) and a roughly 35% probability of 150 bps in rate hikes before the end of the calendar year. As a result of persistent inflation data and hawkish Fed speak, the expectations of a higher terminal rate for a longer period remains intact. Despite reports and economic data showing signs of a looming recession, domestic equities bounced back this week with all three major indices reporting gains for the week. Energy was the top performing sector returning 8.1% while utilities was the laggard, closing the week with a 2.0% gain. This earnings season, investors will be focused on the forward guidance and commentary from management in the earnings reports. Given high inflation and elevated interest rates, maintaining wider margins will become increasingly difficult. An additional challenge companies are facing is the strength of the U.S. dollar due to the surge in U.S. interest rates. Moreover, municipal debt has gotten richer relative to Treasuries with the 10-year Muni/Treasury ratio at 75.9% compared to 80.6% a week ago. Credit spreads have widened in the corporate sector, signaling increasing fears of recession and uncertainty around performance during a turbulent period.

### Key Thought for The Week

Monetary policy operates with a long and variable lag, but given the current strength of the labor market, the Fed continues to increase the Fed funds rate at an aggressive pace. The September employment data from the Bureau of Labor Statistics showed solid job growth, while the unemployment rate matched the lowest level since 1969. Market participants have been keenly watching U.S. weekly jobless claims for signs of labor market weakness, but the evidence is not there as employers have been reluctant to fire workers at this point. However, cracks in the job market may be starting to emerge. Moreover, the October release of the Beige Book noted "several districts reported a cooling in labor demand" as business begin to prepare for a potential economic slowdown. A key to taming elevated inflation is for the Fed to cool the job market sooner rather than later, but it needs to do so in a controlled manner, which will be an arduous task.

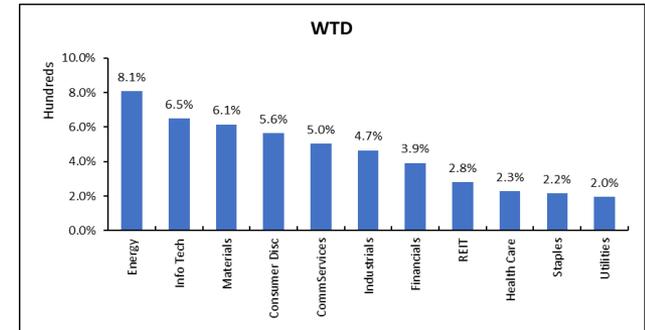
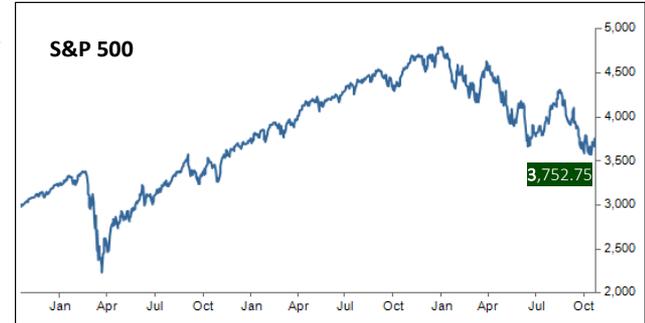
10/21/2022		Wk	Wk		YTD	12 Mos
	Close	Net	%	Div	%	%
		Change	Change	Yield	Change	Change
<b>STOCKS</b>						
DJIA	31,082.56	1,447.73	4.89	2.17	-14.46	-12.70
S&P 500	3,752.75	169.68	4.74	1.76	-21.26	-17.52
NASDAQ	10,859.72	538.33	5.22	0.95	-30.59	-28.63
S&P MidCap 400	2,312.21	67.00	2.98	1.89	-18.64	-17.24
EAFE	1,698.33	27.69	1.66	3.50	-27.30	-27.11
Emerging Market	864.76	1.43	0.17	3.48	-29.81	-33.12

TREASURIES	Yield	FOREX	Price	Wk
				%
				Change
2-Year	4.48	USD/EUR	0.99	1.44
5-Year	4.34	JPY/USD	147.66	0.68
10-Year	4.22	USD/GBP	1.13	1.17
30-Year	4.24	CAD/USD	1.36	1.80

### Sector - Large Cap

	Close	Wk	Wk	WTD	MTD	QTD	YTD
		Net	%				
		Change	Change				
<b>Defensive</b>							
Staples	718.21	15.16	2.2%	3.2%	3.2%	3.2%	(10.7%)
Health Care	1,474.11	32.96	2.3%	4.4%	4.4%	4.4%	(10.3%)
CommServices	169.45	8.11	5.0%	4.6%	4.6%	4.6%	(36.6%)
<b>Eco Sensitive</b>							
Consumer Disc	1,124.42	60.07	5.6%	0.2%	0.2%	0.2%	(30.2%)
Energy	667.35	49.87	8.1%	20.8%	20.8%	20.8%	57.9%
Industrials	749.96	33.33	4.7%	7.0%	7.0%	7.0%	(16.2%)
Info Tech	2,178.40	132.81	6.5%	4.7%	4.7%	4.7%	(28.7%)
Materials	455.08	26.36	6.1%	6.4%	6.4%	6.4%	(20.1%)
<b>Interest Rate Sensitive</b>							
Financials	534.91	20.21	3.9%	6.1%	6.1%	6.1%	(17.7%)
Utilities	321.57	6.15	2.0%	(3.3%)	(3.3%)	(3.3%)	(11.6%)
REIT	217.36	5.91	2.8%	(3.8%)	(3.8%)	(3.8%)	(33.1%)

COMING UP NEXT WEEK		Consensus	Prior
10/24 Markit PMI Manufacturing SA (Preliminary)	(Oct)	51.0	52.0
10/24 Markit PMI Services SA (Preliminary)	(Oct)	49.5	49.3
10/25 Consumer Confidence	(Oct)	105.0	108.0
10/27 Durable Orders SA M/M (Preliminary)	(Sep)	0.80%	-0.18%
10/27 GDP SAAR Q/Q (First Preliminary)	(Q3)	1.7%	-0.60%
10/28 Core PCE Deflator Y/Y	(Sep)	5.2%	4.9%
10/28 Personal Consumption Expenditure SA M/M	(Sep)	-	0.40%
10/28 Personal Income SA M/M	(Sep)	0.40%	0.30%
10/28 Michigan Sentiment NSA (Final)	(Oct)	59.8	59.8



### Russell Style Return

WTD	Value	Blend	Growth
Large	3.94%	4.68%	5.42%
Medium	3.30%	3.59%	4.11%
Small	3.32%	3.57%	3.81%

YTD	Value	Blend	Growth
Large	(13.25%)	(21.14%)	(28.10%)
Medium	(17.23%)	(21.63%)	(29.60%)
Small	(16.43%)	(21.59%)	(26.81%)

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