



**THE WEEK IN REVIEW**

The first week of August proved to be an interesting one for financial markets as the “good news is bad news” dilemma continued. Early in the week, Fed officials pushed back on the market’s view that the central bank was set to reverse course by taking its foot off the rate hike accelerator. Speeches from four Fed officials highlighted that the fight to ease inflation was far from over. Investors have increasingly expected the Fed to reduce its pace of interest rate increases due to the slowing economy and risk of triggering a recession. Today’s jobs report, however, showed the labor market is still thriving. The initial market reaction to the surprisingly strong employment report suggested investors believe it will keep the Fed on its current path of aggressive rate hikes. Fed fund futures indicate there is a growing probability of a third consecutive 0.75% Fed rate hike in September. In geopolitical news, U.S. House Speaker Nancy Pelosi visited Taiwan on Tuesday, defying Chinese authorities. In response, China fired 11 missiles into the sea around Taiwan on Thursday.

A robust July employment report contradicted signs from other economic data that the U.S. economy is slowing. The labor market added 528,000 jobs in the month, surpassing the economist median estimate of 250,000 jobs. The leisure and hospitality industry had the most growth with 96,000 jobs added, but the industry’s labor force remains 1.2 million workers below its pre-pandemic level. Employment gains in the professional and business services and health care industries were also strong, with job gains of 89,000 and 70,000, respectively. The unemployment rate declined slightly to 3.5% from 3.6% in June. The last time the unemployment rate touched 3.5% was February 2020, which, at the time, was the lowest level since December 1969.

The S&P Global U.S. Manufacturing PMI was revised down to 52.2 in July from the preliminary reading of 52.3 and fell from 52.7 in June. The decrease in manufacturing activity was driven by output falling for the first time since June 2020 and new orders declining for a second straight month. Difficulty finding suitable candidates for job vacancies and raw material shortages remained headwinds for production. Inflation for input prices paid by manufacturers softened to the slowest rate since March 2021, an encouraging sign for overall inflation. The S&P Global U.S. Services PMI fared worse with a contractionary reading of 47.3 in July, down from 52.7 in June. Some firms highlighted subdued demand from customer hesitancy to place new orders amid economic uncertainty and reductions in purchasing power. Like the manufacturing survey, inflationary pressures for services providers eased.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Non-Farm Payrolls (Thousands)	528	368	▲
Unemployment Rate	3.5%	3.6%	▼
Average Hourly Earnings (Y/Y)	5.2%	5.5%	▼
S&P Global U.S. Manufacturing PMI	52.2	59.2	▼
S&P Global U.S. Services PMI	47.3	55.6	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	32803.47	-0.13%	-9.73%	-6.45%
NASDAQ	12657.55	2.15%	-19.10%	-15.02%
S&P 500	4145.19	0.36%	-13.03%	-6.41%
MSCI EAFE	1941.71	0.23%	-16.88%	-17.67%
Bbg Barclays Aggregate US	2163.70	0.03%	-8.13%	-9.11%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	2.47%	1.67%	0.05%
10-Year Treasury	2.82%	2.81%	1.22%

REPORTS DUE NEXT WEEK	LATEST
Consumer Price Index (Y/Y)	9.1%
Producer Price Index (Y/Y)	11.3%
U. of Mich. Consumer Sentiment	51.5
NFIB Small Business Optimism	89.5

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

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