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FINANCIAL MARKET UPDATE
9/23/22

THE WEEK IN REVIEW

All three major U.S. indexes suffered back-to-back weekly losses of 4.0% or more as the Federal Reserve remains determined to bring down soaring inflation. Yields on the 10-year and 2-year Treasury notes both climbed to new decade highs this week of 3.82% and 4.25%, respectively. The U.S. Treasury yield curve inversion deepened further amid the Fed's rate hike and economic growth concerns.

The Fed's policy setting meeting concluded on Wednesday with a 0.75% interest rate increase, bringing the federal funds rate to a range of 3.00% to 3.25%. Fed officials' economic projections showed they expect to continue hiking rates until the fed funds level hits a "terminal rate" of 4.6% in 2023. Fed Chair Jerome Powell reiterated the message from his Jackson Hole speech in late August that bringing down inflation at all costs was the Fed's primary goal. The hotter-than-expected inflation reading for August likely provided support for the Fed's continued aggressive policy stance.

New U.S. home construction rose last month, but a drop in building permits underlines how rising interest rates continue to cool housing demand. Housing starts climbed 12.2% in August to an annual rate of 1.575 million units. The increase stemmed from a jump in multifamily housing construction, a sign that rising borrowing costs along with an increase in home prices continue to leave potential homebuyers on the sidelines. Applications to build, which is a gauge of future construction, slowed to an annual rate of 1.52 million units, the lowest rate since June 2020.

Sales of previously owned homes declined 0.4% in August from July to a seasonally adjusted annualized rate of 4.80 million units. This was the slowest sales pace since May 2020, when activity halted temporarily due to the beginning of the COVID-19 pandemic. This sales figure represents closings, while the contracts were likely signed in June and July when mortgage rates spiked higher and then pulled back. However, mortgage rates rose for the fifth consecutive week, reaching a new high since the financial crisis. The average rate on a 30-year fixed mortgage climbed to 6.29%, according to a survey of lenders released this week by Freddie Mac. The last time rates were at this level was October 2008.

ECONOMIC INDICATOR	LATEST	3MO PRIOR	CHANGE
Existing Home Sales (Millions Annualized)	4.800	5.410	▼
Housing Starts (Millions Annualized)	1.575	1.562	▲
Building Permits (Millions Annualized)	1.517	1.695	▼
S&P Global U.S. Manufacturing PMI	51.8	52.7	▼
S&P Global U.S. Services PMI	49.2	52.7	▼

INDEX	LEVEL	WEEK	YTD	12 MO
DJ Industrial Average	29590.41	-4.00%	-18.57%	-14.88%
NASDAQ	10867.93	-5.07%	-30.53%	-27.80%
S&P 500	3693.23	-4.65%	-22.51%	-16.99%
MSCI EAFE	1734.01	-3.05%	-25.77%	-26.31%
Bbg Barclays Aggregate US	2036.26	-1.32%	-13.54%	-14.03%

KEY BOND RATES	WEEK	1MO AGO	1YR AGO
3-Month T-Bill	3.17%	2.67%	0.02%
10-Year Treasury	3.68%	3.05%	1.43%

REPORTS DUE NEXT WEEK	LATEST
GDP (Q/Q Annualized)	-0.6%
U. of Mich. Consumer Sentiment	59.5
New Home Sales (Thousands Annualized)	511
S&P CoreLogic Case-Shiller U.S. HPI (Y/Y)	18.7%

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