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In this week's recap: Tighter money policy; Market drops.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, May 9, 2022

THE WEEK ON WALL STREET

With the Fed in focus, the markets experienced wide price swings over the course of last week, as technology companies led the market lower.

The Dow Jones Industrial Average slipped 0.24%, while the Standard & Poor's 500 declined 0.21%. The Nasdaq Composite index dropped 1.54% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, fell 1.99%. ^{1,2,3}

A WILD WEEK

After successive daily gains to begin the week, stocks staged a powerful relief rally in response to Wednesday's Federal Open Market Committee (FOMC) announcement, aided by Fed Chair Powell's comment that a 75-basis point hike was not under active consideration.

Stocks, however, dropped the following day as investors reassessed the implications of a tighter monetary policy. Also on Thursday, the yield on the 10-year Treasury Note closed above three percent. News that worker productivity fell 7.5% and labor costs rose 11.6% in the first quarter fanned inflation fears and added to investor

unease. Despite a better-than-expected employment report, stocks closed out the week with another day of losses amid volatile trading. ⁴

FED RAISES RATES

The May 2022 FOMC meeting resulted in an increase of 50 basis points in the federal funds rate, the largest rate increase since 2000. In a post-meeting press conference, Fed Chair Powell said additional 50 basis point hikes are likely, acknowledging that inflation was much too high and sending assurances that he was committed to price stability.

The Fed also announced that it would begin reducing its \$9 trillion balance sheet by \$95 billion a month, a step the markets had been anticipating. ⁵

TIP OF THE WEEK



Dropping a landline and just using your cell phone might save you money each year. For some, it's a difficult legacy item to drop but this year might present a great opportunity.

THE WEEK AHEAD: KEY ECONOMIC DATA

Wednesday: Consumer Price Index (CPI).

Thursday: Producer Price Index (PPI). Jobless Claims.

Friday: Consumer Sentiment.

Source: Econoday, May 6, 2022

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Tyson Foods, Inc. (TSN).

Tuesday: Occidental Corporation (OXY), Sysco Corporation (SYY).

Wednesday: The Walt Disney Company (DIS), Rivian Automotive, Inc. (RIVN).

Thursday: Affirm Holdings, Inc. (AFRM).

Source: Zacks, May 6, 2022

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“A pleasure is full grown only when it is remembered.”

C.S. LEWIS

Market Index	Close	Week	Y-T-D
DJIA	32,899.37	-0.24%	-9.46%
NASDAQ	12,144.66	-1.54%	-22.37%
MSCI-EAFE	1,993.23	-1.99%	-14.68%
S&P 500	4,123.34	-0.21%	-13.49%



	Treasury	Close	Week	Y-T-D
	10-Year Note	3.12%	+0.23%	+1.60%

Sources: The Wall Street Journal, May 6, 2022; Treasury.gov, May 6, 2022

Weekly performance for the Dow Jones Industrial Average, Standard & Poor's 500 Index, and NASDAQ Composite Index is measured from the close of trading on Friday, April 29, to Friday, May 6, close. Weekly performance for the MSCI-EAFE is measured from Friday, April 29, open to Thursday, May 5, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



A librarian finds that pages have been ripped out of a novel. Pages 28, 29, 148, 211 and 212 are torn out. Given this, how many separate sheets of paper have been torn from the book?

LAST WEEK'S RIDDLE: What is the number missing within this sequence? 4, 7, 11, 18, 29, 47, __, 123, 199, 322.

ANSWER: The missing number is 76. Beginning with the third number in the sequence, each number is the sum of the two preceding numbers.

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CITATIONS:

1. The Wall Street Journal, May 6, 2022
2. The Wall Street Journal, May 6, 2022
3. The Wall Street Journal, May 6, 2022
4. CNBC, May 5, 2022
5. CNBC, May 4, 2022



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