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In this week's recap: Stocks dip on inflation report.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, June 13, 2022

THE WEEK ON WALL STREET

A higher-than-expected inflation report triggered a sell-off on Friday, leaving stocks in the red for the week.

The Dow Jones Industrial Average lost 4.58%, while the Standard & Poor's 500 dropped 5.05%. The Nasdaq Composite index slid 5.60% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, declined 1.81%. ^{1,2,3}

INFLATION UPENDS STOCKS

Stocks gyrated between gains and losses last week until sliding lower on Friday's hot inflation report, which heightened worries over a more aggressive Fed and a further economic slowdown. Stocks moved higher to begin the week, despite rising bond yields, a profit warning from a major retailer, and Senate testimony by Secretary of Treasury Janet Yellen, who said that inflation was likely to remain elevated.

Stocks turned lower later in the week on renewed concerns of an economic slowdown, sparked by a downward revision in The Federal Reserve-Atlanta's real-time estimate of second-quarter GDP growth and a drop in new mortgage applications. Investors lightening up on stocks ahead of Friday's inflation report may have also contributed to Thursday's selling.

INSIDE INFLATION

Consumer prices rose 8.6% year-over-year in May, marking the highest rate since December 1981. Price increases over the last 12 months were driven by a 34.6% jump in energy prices and by food costs, which climbed 10.1%. Used car and truck prices, which had seen three straight months of declines, rose 1.8% from April, while airfares soared 12.6% in May. ⁴

May's inflation exceeded economists' forecasts and dashed the hopes that inflation had plateaued. In a separate economic report on Friday, real wages (net of inflation) fell 0.6% in April and were lower by 3% from 12 months ago. ⁵

TIP OF THE WEEK



Succession planning isn't just about an orderly ownership transition. Waiting too long may prompt changes in insurance premiums, fees and taxes.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Producer Price Index.

Wednesday: Retail Sales. FOMC Announcement.

Thursday: Jobless Claims. Housing Starts.

Friday: Industrial Production. Index of Leading Economic Indicators.

Source: Econoday, June 10, 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

Thursday: Adobe, Inc. (ADBE), The Kroger Co. (KR).

Source: Zacks, June 10, 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



“To look back is to relax one's vigil.”

BETTE DAVIS

Market Index	Close	Week	Y-T-D
DJIA	31,392.79	-4.58%	-13.61%
NASDAQ	11,340.02	-5.60%	-27.52%
MSCI-EAFE	1,992.38	-1.81%	-14.71%
S&P 500	3,900.86	-5.05%	-18.16%



Treasury	Close	Week	Y-T-D
10-Year Note	3.16%	+0.22%	+1.64%

Sources: The Wall Street Journal, June 10, 2022; Treasury.gov, June 10, 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, June 3, to Friday, June 10, close. Weekly performance for the MSCI-EAFE is measured from Friday, June 3, open to Thursday, June 9, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



What surrounds everyone and is the end of time and space?

LAST WEEK'S RIDDLE: There is a 5-letter, single-syllable word that you can take 4 letters out of, leaving you with only a single letter that has the same pronunciation as the original 5-letter word. What is this word? (Hint: it involves waiting in line.)

ANSWER: Queue.

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CITATIONS:

1. The Wall Street Journal, June 10, 2022
2. The Wall Street Journal, June 10, 2022
3. The Wall Street Journal, June 10, 2022
4. CNBC, June 10, 2022
5. CNBC, June 10, 2022



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