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*In this week's recap: Fed rate hike triggers market dip.*

# Weekly Economic Update

*Presented by Don Clark, MBA, CFP®, June 20, 2022*

## THE WEEK ON WALL STREET

Stocks moved lower last week as recession fears deepened following a Fed hike in interest rates and weak economic data.

The Dow Jones Industrial Average fell 4.79%, while the Standard & Poor's 500 dropped 5.79%. The Nasdaq Composite index slid 4.78% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, slumped 4.51%. <sup>1,2,3</sup>

## STOCKS TUMBLE

Stocks were under pressure all week due to inflation worries, higher yields, and rising recession concerns. In advance of the much-awaited mid-week meeting of the Federal Open Market Committee (FOMC), bond yields jumped, and stocks retreated on speculation that the Fed might raise rates by 75 basis points. When the Fed announced a 75 basis point hike on Wednesday, stocks rebounded strongly.

The enthusiasm was short-lived. Stocks resumed their slide on Thursday as global central banks followed with their own rate hikes. Recession fears grew based on a weak housing starts report and a contraction in the Philadelphia Fed Business Index—the first contraction since May 2020. <sup>4</sup>

## FED RATE HIKE

The Federal Reserve announced a 0.75% hike in the federal funds rate, making it the biggest rate increase since 1994 and signaling its commitment to address inflation. The report from last week's FOMC meeting also indicated new rate projections, showing that all members expect rates to rise to at least 3.0% by year-end, with half the members expecting rates to rise to 3.375%. <sup>5</sup>

The 75 basis point rate increase was a late-developing change from earlier Fed guidance of a 50 basis point increase. The change of heart was in response to recent inflation data and rising inflationary expectations. <sup>6</sup>

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## TIP OF THE WEEK



*Take a look at your insurance policy and read the fine print about progressive illness in case you or a loved one are one day diagnosed with Alzheimer's Disease, Parkinson's Disease, or other forms of neurological disease.*

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Existing Home Sales.

**Thursday:** Jobless Claims. Purchasing Managers' Index (PMI).

**Friday:** New Home Sales. Consumer Sentiment.

Source: Econoday, June 17, 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

**Tuesday:** Lennar Corporation (LEN).

**Wednesday:** KB Home (KBH).

**Thursday:** FedEx Corporation (FDX), Darden Restaurants, Inc. (DRI).

Source: Zacks, June 17, 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.

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QUOTE OF THE WEEK



*“In memory everything seems to happen to music.”*

TENNESSEE WILLIAMS

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Market Index	Close	Week	Y-T-D
DJIA	29,888.78	-4.79%	-17.75%
NASDAQ	10,798.35	-4.78%	-30.98%
MSCI-EAFE	1,847.03	-4.51%	-20.93%
S&P 500	3,674.84	-5.79%	-22.90%



	Treasury	Close	Week	Y-T-D
	10-Year Note	3.25%	+0.09%	+1.73%

Sources: The Wall Street Journal, June 17, 2022; Treasury.gov, June 17, 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 10, to Friday, June 17, close. Weekly performance for the MSCI-EAFE is measured from Friday, June 10, open to Thursday, June 16, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*It has 18 legs, is uniformed, walks and runs on grass and artificial turf, and catches flies. What is it?*

*LAST WEEK'S RIDDLE: What surrounds everyone and is the end of time and space?*

*ANSWER: The letter "e."*

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CITATIONS:

1. The Wall Street Journal, June 17, 2022
2. The Wall Street Journal, June 17, 2022
3. The Wall Street Journal, June 17, 2022
4. CNBC, June 16, 2022
5. The Wall Street Journal, June 15, 2022
6. The Wall Street Journal, June 15, 2022



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