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*In this week's recap: Friday rally stems week of losses.*

# Weekly Economic Update

*Presented by Don Clark, MBA, CFP®, July 18, 2022*

## THE WEEK ON WALL STREET

A record-high inflation report, the prospects of a more aggressive Fed, and growing recession fears sent stocks lower— though a Friday rally pared losses.

The Dow Jones Industrial Average slipped 0.16%, while the Standard & Poor's 500 lost 0.93%. The Nasdaq Composite index dropped 1.57% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, lost 3.49%. <sup>1,2,3</sup>

## STOCKS SLIDE

As the week opened, recession fears intensified with reports of renewed Covid-related lockdowns in China. Also, the U.S. dollar continued to climb, reflecting global economic weakness.

June's consumer price index report showed price increases accelerating. Year-over-year prices jumped 9.1%, the fastest pace in over 40 years. Speculation grew that the Federal Reserve might contemplate a 100 basis point increase in short-term rates later this month rather than the 75 basis point hike it earlier signaled. The market rebounded on Friday following a Federal Open Market Committee member saying he favored a 75 basis point hike. Also helping the Friday rally was a strong retail sales report and additional second-quarter company reports. <sup>4</sup>

## DOLLAR STRENGTH

The increasing strength of the U.S. dollar moved to center stage last week as the dollar index (a measure of the U.S. dollar to six other major currencies) reached a fresh high, while the euro fell to parity with the dollar and to its lowest level since 2002. <sup>5</sup>

A rising U.S. dollar hurts overseas profits when converted into dollars and it also makes U.S. products and services more expensive. It's a challenge for large, multinational companies that derive a portion of their earnings from overseas markets. Investors may gain greater insight into the extent of that impact as companies provide forward guidance with their upcoming reports.

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### TIP OF THE WEEK



*While scholarships are offered to students, no one offers a scholarship for retirement. Consider putting your own retirement before any college plans.*

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## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Housing Starts.

**Wednesday:** Existing Home Sales.

**Thursday:** Jobless Claims. Index of Leading Economic Indicators.

**Friday:** Purchasing Managers' Index (PMI) Composite Flash.

Source: Econoday, July 15, 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:** Bank of America (BAC), International Business Machines (IBM), The Goldman Sachs Group (GS), The Charles Schwab Corporation (SCHW).

**Tuesday:** Netflix, Inc. (NFLX), Johnson & Johnson (JNJ), J.B. Hunt Transport Services, Inc. (JBHT).

**Wednesday:** Tesla, Inc. (TSLA), Abbott Laboratories (ABT), CSX Corporation (CSX), United Airlines Holdings, Inc. (UAL).

**Thursday:** AT&T, Inc. (T), Snap, Inc. (SNAP), Blackstone, Inc. (BX), American Airlines Group, Inc. (AAL), Union Pacific Corporation (UNP), D.R. Horton, Inc. (DHI).

**Friday:** Verizon Communications, Inc. (VZ), Schlumberger Limited (SLB), American Express Company (AXP), NextEra Energy, Inc. (NEE), PPG Industries, Inc. (PPG).

Source: Zacks, July 15, 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



*“When you come to the end of your rope, tie a knot and hang on.”*

*FRANKLIN DELANO ROOSEVELT*

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Market Index	Close	Week	Y-T-D
DJIA	31,288.26	-0.16%	-13.90%
NASDAQ	11,452.42	-1.57%	-26.80%
MSCI-EAFE	1,784.89	-3.49%	-23.59%
S&P 500	3,863.16	-0.93%	-18.95%



Treasury	Close	Week	Y-T-D
10-Year Note	2.93%	-0.16%	+1.41%

Sources: The Wall Street Journal, July 15, 2022; Treasury.gov, July 15, 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, July 8, to Friday, July 15, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 8, open to Thursday, July 14, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*You have 9 seemingly identical cubes before you. You are told that one is heavier than the other eight. Using a two-pan balance scale only twice, how can you pick out the heaviest cube?*

*LAST WEEK'S RIDDLE: Two in every corner, one in every room, none in a house. What is it?*

*ANSWER: The letter "R."*

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CITATIONS:

1. The Wall Street Journal, July 15, 2022
2. The Wall Street Journal, July 15, 2022
3. The Wall Street Journal, July 15, 2022
4. The Wall Street Journal, July 13, 2022
5. CNBC, July 11, 2022



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