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In this week's recap: Markets react to dim forecast, 2Q reports.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, July 25, 2022

THE WEEK ON WALL STREET

Stocks rallied last week as investor spirits lifted thanks to a better-than-expected start to the second-quarter earnings season.

The Dow Jones Industrial Average gained 1.95%, while the Standard & Poor's 500 added 2.55%. The Nasdaq Composite index jumped 3.33% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, advanced 3.54%.^{1,2,3}

EARNINGS PROPEL STOCKS

Earnings season kicked off last week, with major banks reporting second-quarter results. While their results were mixed, they appeared to indicate that consumers and businesses remained reasonably healthy—a perspective that helped erase some negative sentiment overhanging the market.

As the week progressed, stocks gained momentum as earnings results poured in from different sectors of the economy, showing that businesses were navigating higher inflation and slowing growth better than investors feared. Technology and other gloomier sectors were among the market's best performers for the week. A few disappointing corporate reports and a weak economic report sent stocks lower to close out a solid week.

CRACKS IN THE FOUNDATION

Data released last week indicated more trouble in the housing market. The latest monthly homebuilder sentiment survey showed the single largest monthly drop in its 37-year history, except for April 2020. The sentiment report preceded a drop in June housing starts and issued building permits. Housing starts declined for the second month, falling 2.0% and surprising economists who had expected an increase. ^{4,5}

Housing weakness made itself known through a 5.4% month-over-month decline in June's existing home sales, representing the slowest pace since June 2020. Increasing prices and higher mortgage rates demonstrated drags on buyer demand. ⁶

TIP OF THE WEEK



If you are 60 now, there is a reasonable chance that you may live into your eighties or nineties. So, with longevity in mind, prepare for retirement with wealth accumulation and wealth protection in mind.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: New Home Sales.

Wednesday: FOMC Announcement. Durable Goods Orders.

Thursday: Gross Domestic Product (GDP). Jobless Claims.

Source: Econoday, July 22, 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: Microsoft Corporation (MSFT), General Electric Company (GE), Visa, Inc. (V), Alphabet, Inc. (GOOGL), General Motors Company (GM), The Coca Cola Company (KO), McDonald's Corporation (MCD), Archer Daniels

Midland Company (ADM), 3M Company (MMM), Texas Instruments, Inc. (TXN), United Parcel Service, Inc. (UPS), KimberlyClark Corporation (KMB).

Wednesday: The Boeing Company (BA), Ford Motor Company (F), Qualcomm, Inc. (QCOM), Bristol Myers Squibb Company (BMY), Lam Research Corporation (LRCX), Shopify, Inc. (SHOP), ServiceNow, Inc. (NOW), General Dynamics Corporation (GD), Norfolk Southern Corporation (NSC).

Thursday: Apple, Inc. (AAPL), Intel Corporation (INTC), Mastercard, Inc. (MA), Pfizer, Inc. (PFE), Merck & Co., Inc. (MRK), The Southern Company (SO), Northrop Grumman Corporation (NOC), Southwest Airlines (LUV).

Friday: AbbVie, Inc. (ABBV), Exxon Mobil Corporation (XOM), Chevron Corporation (CVX), The Procter & Gamble Company (PG), ColgatePalmolive Company (CL).

Source: Zacks, July 22, 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



“Lots of people want to ride with you in the limo, but what you want is someone who will take the bus with you when the limo breaks down.”

OPRAH WINFREY

Market Index	Close	Week	Y-T-D
DJIA	31,899.29	+1.95%	-12.22%
NASDAQ	11,834.11	+3.33%	-24.36%
MSCI-EAFE	1,881.36	+3.54%	-19.46%
S&P 500	3,961.63	+2.55%	-16.88%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.77%	-0.16%	+1.25%

Sources: The Wall Street Journal, July 22, 2022; Treasury.gov, July 22, 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 15, to Friday, July 22, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 15, open to Thursday, July 21, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



I can't be seen, but I'm all around. I have no mouth, yet can make a sound. I can be harnessed, but never bound. No hands have I, yet I move the ground. What am I?

LAST WEEK'S 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?

ANSWER: Divide the 9 cubes into 3 groups of 3. Weigh two groups. This way, you can find out which group has the heavier cube in it. Choose 2 cubes from this group and compare their weights. By deduction, you will determine the heaviest cube.

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CITATIONS:

1. The Wall Street Journal, July 22, 2022
2. The Wall Street Journal, July 22, 2022
3. The Wall Street Journal, July 22, 2022
4. CNBC, July 18, 2022
5. The Wall Street Journal, July 19, 2022
6. CNBC, July 20, 2022



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