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In this week's recap: Stocks have a warmer week as inflation cools.

Weekly Economic Update

Presented by Don Clark, MBA, CFP®, August 15, 2022

THE WEEK ON WALL STREET

An improving inflation outlook buoyed investors' spirits last week, helping lift stocks to solid gains.

The Dow Jones Industrial Average advanced 2.92%, while the Standard & Poor's 500 rose 3.26%. The Nasdaq Composite index added 3.08% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, gained 2.39%. ^{1,2,3}

LOWER INFLATION SPURS BUYING

Stock prices surged mid-week when the U.S. Bureau of Labor Statistics released a better-than-expected Consumer Price Index (CPI) number, with buying momentum building throughout the trading session.

Gains were significant across the board, with technology and small-cap companies leading the market higher. The mid-week rally sent the S&P 500 to its highest level since May and the Nasdaq to its highest level since April. Bond yields fell on expectations that the Fed's pressure to hike rates further might ease. After pausing on Thursday, stocks again ripped higher on Friday, aided, in part, by a report indicating improving consumer sentiment. ⁴

INFLATION COOLS

The Consumer Price Index in July was softer than expected, with prices unchanged from the previous month thanks to a 4.6% decline in energy prices and a 7.7% drop in gasoline.⁴

Despite the encouraging results, the CPI report still evidenced upward price pressure. The year-over-year inflation rate remained at 8.5%, while the core CPI (excluding food and energy) came in at 5.9%. Among the index components seeing substantial price increases were food (+10.9% from 12 months ago) and shelter (+5.7%). Producer prices fell 0.5% in July, suggesting that future consumer price increases may continue to moderate.^{5,6}

TIP OF THE WEEK



Each day brings breaking news; beware of abruptly altering your long-range financial strategy in response.

THE WEEK AHEAD: KEY ECONOMIC DATA

Tuesday: Industrial Production. Housing Starts.

Wednesday: Retail Sales. Federal Open Market Committee (FOMC) Minutes.

Thursday: Jobless Claims. Existing Home Sales. Index of Leading Economic Indicators.

Source: Econoday, August 12, 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: Walmart, Inc. (WMT), The Home Depot, Inc. (HD).

Wednesday: Cisco Systems, Inc. (CSCO), Target Corporation (TGT), Lowe's Companies, Inc. (LOW), The TJX Companies, Inc. (TJX).

Thursday: Applied Materials, Inc. (AMAT), NetEase, Inc. (NTES).

Friday: Deere & Company (DE).

Source: Zacks, August 12, 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



“You can’t destroy knowledge. You can stamp it under and burn it up and forbid it to be, but somewhere it will survive.”

LEIGH BRACKETT

Market Index	Close	Week	Y-T-D
DJIA	33,761.05	+2.92%	-7.09%
NASDAQ	13,047.19	+3.08%	-16.60%
MSCI-EAFE	1,970.07	+2.39%	-15.67%
S&P 500	4,280.15	+3.26%	-10.20%



	Treasury	Close	Week	Y-T-D
🇺🇸	10-Year Note	2.84%	+0.01%	+1.32%

Sources: The Wall Street Journal, August 12, 2022; Treasury.gov, August 12, 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, August 5, to Friday, August 12, close. Weekly performance for the MSCI-EAFE is measured from Friday, August 5, open to Thursday, August 11, close.

Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



Trains travel from one town to another town all day, always on the same track, always going nonstop and at the same speed. The noon train took 80

minutes to complete the trip, but the 4 PM train took an hour and 20 minutes. Why?

LAST WEEK'S RIDDLE: Just two U.S. states have capital cities whose names include the full name of the state. What states are they?

ANSWER: Indiana (Indianapolis) and Oklahoma (Oklahoma City).

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CITATIONS:

1. The Wall Street Journal, August 12, 2022

2. The Wall Street Journal, August 12, 2022

3. The Wall Street Journal, August 12, 2022

4. CNBC, August 10, 2022

5. CNBC, August 10, 2022

6. CNBC, August 11, 2022



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