

Economic Calendar

Monday, July 18
NAHB Homebuilders
Sentiment.

Tuesday, July 19
Housing Starts, Building
Permits.

Wednesday, July 20
Mortgage Activity, Existing
Home Sales.

Thursday, July 21
Jobless Claims,
Philadelphia Fed Mfg
Outlook, Leading
Indicators.

Friday, July 22
S&P Global U.S.
Manufacturing & Services
PMIs.

The Latest from [@CeteraIM](#)

[1% Rate Hike Odds Fade](#)

[Headline Retail Sales Rise,
Real Inflation-Adjusted
Sales Decline](#)

[Housing Affordability Sags](#)

[The Week Ahead Video](#)

WEEKLY RECAP

July 11-15, 2022 Recap

Stocks Pare Weekly Decline

Wall Street Sentiment Revives Friday

U.S. equity markets bounced back at the end of a frenzied week, snapping a five-day slide, as investors dialed back expectations for a full 1% July rate hike. Expectations for a larger Fed hike stemmed from a jump in annualized consumer inflation as reported Wednesday (+9.1% year-over-year) and echoed in producer prices on Thursday (+11.3% year-over-year). Stocks rallied on Friday following comments from Atlanta Fed President Bostic saying that raising rates too aggressively could prompt undue weakness in the economy.

For the Week...

The S&P 500 fell 0.91%, with strong Friday gains paring earlier weekly losses through Thursday of as much as 2.78%. The Dow Jones Industrial Average fell just 0.16% for the week, while the tech-heavy Nasdaq Composite declined 1.57%. The S&P 500 is up 5.4% from its mid-June low on renewed hopes that inflation may be nearing its cycle peak.

Consumer Sentiment Improves

The University of Michigan's preliminary reading of consumer sentiment for July improved to 51.1 from 50.0 in June. The mild increase was driven by an uplift in current conditions, but the overall the index still remains near a record low. The Friday report was, however, embraced for its survey views on inflation. Expectations for inflation a year from now fell to 5.2% from 5.3%, while the longer-term forward inflation expectation for 5-10 years fell to 2.8% from 3.1%.

Communication Services Retraces Prior Gain

All but one of the S&P 500's 11 major sector groups posted declines last week with Communication Services (-3.26%) falling the most. The sector had gained the most the week prior, up 5.12%. Energy (-3.04%) and Materials (-1.29%) were last week's second and third worst performers, while Consumer Staples (+0.11%) was the sole gainer. Utilities (-0.10%) and Technology (-0.32%) fell the least.

Treasury Yields Fall

Treasury bond yields eased last week with the 10-year Treasury ending Friday at 2.931% after closing at 3.096% the previous week. Volatility in Treasury yields continued another week. The U.S. Dollar Index weakened by 0.44% on Friday, paring its third straight weekly gain to 0.99%. The greenback is up nearly 13% for the year.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-0.16	1.67	-9.18	-13.90	-10.58	4.57
S&P 500	-0.91	2.12	-11.69	-18.27	-10.09	10.44
NASDAQ Composite	-1.57	3.86	-14.04	-26.50	-20.71	12.43
Russell 3000	-1.08	2.11	-12.29	-19.43	-12.55	9.68
Russell 2000	-1.40	2.17	-12.68	-21.76	-19.41	5.05
MSCI EAFE	-1.75	-1.55	-13.34	-20.81	-19.32	0.50
MSCI Emerging Markets	-3.69	-3.54	-12.49	-20.54	-26.71	-0.82
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg US Agg Bonds	0.89	0.62	-1.38	-9.80	-10.41	-0.64
Bloomberg Municipal Bonds	0.31	1.46	-0.16	-7.65	-7.88	0.17
Bloomberg US Corp High Yield	0.26	1.78	-6.54	-12.66	-11.52	0.70
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	-2.07	-2.98	-14.04	14.91	21.11	12.73
S&P GSCI Crude Oil	-9.19	-10.58	-11.10	25.74	32.51	16.58
S&P GSCI Gold	-1.37	-4.71	-12.80	-5.82	-6.05	6.49

Source: Morningstar

Chart of the Week: Shelter Inflation



Headline consumer inflation increased 9.1% over the last year, the most since November 1981. Inflation is the main concern for the Fed right now and rising shelter costs are more problematic than gas prices. 40% of core CPI is shelter and the cost of rent and owners' equivalent rent (monthly mortgage payments) continue to rise at a high rate. Unlike volatile energy prices, shelter costs can be stickier. Shelter inflation rose 5.6% year-over-year, a rate that hasn't been reached in over 30 years.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on Twitter.

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Glossary

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The **Bloomberg US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 8.25 years.

The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000.