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

# Weekly Economic Update

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*Presented by Ed Papier, 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>

## THE WEEK AHEAD: KEY ECONOMIC DATA

**Tuesday:** Existing Home Sales.

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

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

### QUOTE OF THE WEEK



*"Once the principle is admitted that it is the duty of the government to protect the individual against his own foolishness, no serious objections can be advanced against further encroachments."*

LUDWIG VON MISES

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%

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.

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## The Occasional Musical "OF NOTE"

The Children's Orchestra Society, founded in 1962 by my friend Yeou Cheng Ma, is a not-for-profit organization dedicated to "teaching the language of music" to children and teens from all walks of life. Their mission is to cultivate and nurture children and teach them teamwork and life skills through music-learning and performing in orchestral and chamber music settings.

Here's a link to a performance from their 2020 gala:

<https://www.youtube.com/watch?v=ijCNspDC2fY>

A terrible flood caused considerable damage to their rehearsal space, however the orchestra is now back up and running. We encourage anyone who has an interest in supporting this wonderful organization to consider making a charitable donation, enabling the next generation of classical musicians to get a start. Here's a link to their donation page:

<https://childrenorch.networkforgood.com/projects/137248-cos-building-renovation-fund>

Thank you.

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### Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

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The market indexes discussed are unmanaged, and generally, considered representative of their respective markets. Index performance is not indicative of the past performance of a particular investment. Indexes do not incur management fees, costs, and expenses. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results.

The Dow Jones Industrial Average is an unmanaged index that is generally considered representative of large-capitalization companies on the U.S. stock market. Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of technology and growth companies. The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) and serves as a benchmark of the performance of major international equity markets, as represented by 21 major MSCI indexes from Europe, Australia, and Southeast Asia. The S&P 500 Composite Index is an unmanaged group of securities that are considered to be representative of the stock market in general.

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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