

Clients and Friends of ICS:

A weekly market review for the week ending September 16th, 2022

Stocks

Last week, stocks suffered their largest weekly drop in nearly three months. The decline can be attributed to intensified inflation fears and shorter-term yields reaching levels not seen since 2007. Growth stocks received the worst of the hit, with the NASDAQ Composite falling 6.85% last week. Within the S&P 500, the communication services and information technology sectors led the declines as shares of Meta and Google reached new 52-week lows.

The sell-off can be largely attributed to Tuesday's CPI report which came as a negative surprise to investors. Headline prices for the month of August rose 8.3% versus the consensus expectation of 8.1%. Core inflation, which excludes food and energy prices, jumped to 6.3% for the month. This marked the highest level seen since March and was above the expected increase of 6.1%. The report seemed to dismiss the idea that the economy had moved beyond "peak inflation".

Bonds

Treasury yields pushed higher last week, especially on the shorter end of the curve. The rise in yields can be attributed to several factors including disappointing inflation data and expectations that the Fed will raise rates by at least 75-basis-points at their next meeting. The federal funds futures market last week priced in a roughly 33% probability of 100-basis-point rate hike. The likelihood of a 100-basis-point rate hike decreased as the week went on.

The yield on the two-year Treasury note reached 3.90% on Friday, its highest level in almost 15 years. Rising Treasury yields put downward pressure on the investment-grade corporate bond market, yet still held-up after the inflation data was released on Tuesday. The high yield bond market was also active as investors focused on BB and B rated bonds due to positive inflows into the asset class.

Index Performance Ending September 16th, 2022

Equities	Index	Week	YTD
U.S. Large Caps	DJIA	-4.81%	-15.18%
U.S. Large Caps	S&P 500	-5.77%	-18.73%
NASDAQ Listed	Nasdaq Composite	-6.85%	-26.97%
U.S. Mid-Caps	S&P MidCap 400	-5.65%	-15.47%
U.S. Small Caps	Russell 2000	-5.97%	-20.17%
International Developed	MSCI EAFE	-4.60%	-21.54%
Emerging Markets	MSCI EM	-4.52%	-21.98%

Bonds	Index	Week	YTD
U.S. Treasuries	Bloomberg Barclays U.S. Treasury	-0.51%	-12.19%
U.S. Investment Grade	Bloomberg Barclays U.S. Corporate	-0.96%	-17.66%
U.S. High Yield	Bloomberg Barclays U.S. Corporate High Yield Total Return Index	-2.42%	-11.91%

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