

# Weekly Market Recap

## The week in review

- Headline CPI rose 0.1% and Core CPI rose 0.2%
- Retail sales declined 0.6% after a 1.3% gain last month
- Prelim. Manufacturing PMI declined to 46.2 from 47.7 in Nov.

## The week ahead

- PCE inflation
- Personal income and outlays
- Housing starts and new and existing home sales

## Thought of the week

As we enter the final stretch of the year, the U.S. economy is running on low gas against strong headwinds. Economic data this week showed a picture of declining industrial production, manufacturing and services PMIs and retail sales. Despite another cooler-than-expected inflation print, the Fed delivered hawkish messaging at its December FOMC meeting, downplaying recent progress on inflation and maintaining its higher-for-longer stance on monetary policy. In its updated Summary of Economic Projections, the Fed now sees inflation elevated for longer, growth cooling further and unemployment rising. The outlook laid out by the Fed is perplexing; both inflation and labor markets are showing clear signs of cooling, wage growth is softening and shelter inflation should peak early next year.

Notably, Chairman Powell has referenced core services ex-shelter inflation as failing to show signs of progress on multiple occasions. While this measure of PCE inflation is not produced by the BEA, we attempted to construct Powell's series ourselves, as shown in the chart. Including inflation data for November and our own estimates of December, we see that core services ex-housing is indeed coming down. While it still remains elevated to historical trends, receding wage pressures, lower input costs and slowing aggregate demand should induce further declines in 2023. Investors were reminded to "not fight the Fed" after Powell's speech with markets reversing gains from earlier in the week, and we heed this warning as well. Ultimately, it's clear the committee is laser-focused on achieving 2% inflation and its emphasis on lagged inflation data means a Fed pivot may be further out than initially anticipated, narrowing the window for a soft landing further.

Please see important disclosures on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	3852	-2.05	7.86	-17.88	-16.13	26.75
Dow Jones 30	32920	-1.65	15.22	-7.50	-6.36	24.07
Russell 2000	4383	-1.81	6.27	-20.40	-16.92	10.98
Russell 1000 Growth	1451	-2.43	3.92	-27.94	-25.87	29.34
Russell 1000 Value	915.89	-1.59	11.28	-8.48	-6.91	18.94
MSCI EAFE	1937	-2.13	16.88	-14.39	-13.02	3.92
MSCI EM	957.30	-2.09	9.69	-19.81	-19.14	-4.38
NASDAQ	10705	-2.70	1.44	-31.02	-28.90	24.37

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.35	0.80	4.08	-11.13	-11.19	-5.80
U.S. Corporates	5.11	0.55	6.13	-13.73	-13.61	-5.94
Municipals (10yr)	2.98	0.33	5.05	-6.08	-5.98	0.19
High Yield	8.58	0.03	5.62	-9.96	-9.34	2.23

Key Rates	Levels (%)					
	12/16/22	12/9/22	9/30/22	12/31/21	12/16/21	12/16/19
2-yr U.S. Treasuries	4.17	4.33	4.22	0.73	0.64	1.65
10-yr U.S. Treasuries	3.48	3.57	3.83	1.52	1.44	1.89
30-yr U.S. Treasuries	3.53	3.56	3.79	1.90	1.87	2.30
10-yr German Bund	2.19	1.93	2.13	-0.18	-0.35	-0.30
3-mo. LIBOR	4.75	4.74	3.75	0.21	0.21	1.90
3-mo. EURIBOR	2.05	2.01	1.17	-0.57	-0.59	-0.40
6-mo. CD rate	1.78	1.70	0.97	0.14	0.14	0.78
30-yr fixed mortgage	6.42	6.42	6.75	3.33	3.30	3.98
Prime Rate	7.50	7.00	6.25	3.25	3.25	4.75

Index Characteristics				
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)	
16.68	3.78	1.66	32375	
16.56	4.35	1.91	9649	
18.73	1.86	1.37	2263	
21.52	8.96	1.01	17473	
13.77	2.32	2.19	18244	
12.13	1.60	3.20	14194	
11.70	1.58	3.37	6322	
22.83	4.62	0.94	17419	

Currencies	Levels		
	12/16/22	12/31/21	12/16/21
\$ per €	1.06	1.14	1.13
\$ per £	1.22	1.35	1.33
¥ per \$	136.67	115.16	113.75

Commod.	Levels		
	12/16/22	12/31/21	12/16/21
Oil (WTI)	76.11	75.33	72.34
Gasoline	3.24	3.28	3.32
Natural Gas	6.97	3.82	3.67
Gold	1793	1806	1796
Silver	22.83	23.09	22.18
Copper	8232	9692	9506
Corn	5.88	5.86	5.81
BBG Idx	245.27	211.80	207.24

## Chart of the Week

### Powell's measure of core services ex-housing inflation is set to come down

PCE price index\*, y/y% change



## Style Returns

	V	B	G
L	-1.6	-2.0	-2.4
M	-1.9	-1.8	-1.7
S	-2.3	-1.8	-1.3
	V	B	G
L	-8.5	-17.9	-27.9
M	-12.4	-17.3	-26.1
S	-14.7	-20.4	-26.1

## S&P 500 Sector Returns

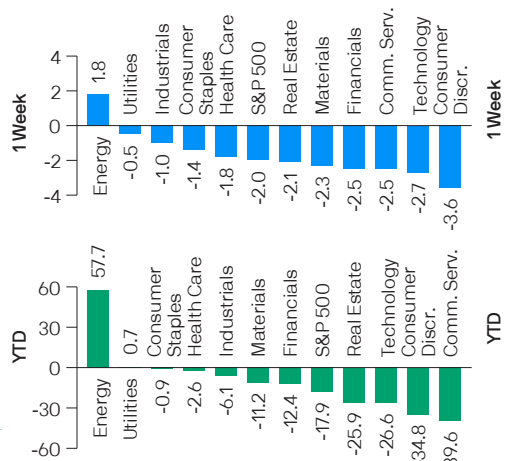




Chart of the Week: Source: BEA, J.P. Morgan Asset Management. \*Series reflects a custom PCE price index of services excluding housing and gas and utilities. November and December figures are J.P. Morgan Asset Management estimates. Data are as of December 16, 2022.

Thought of the week: Source: BEA, BLS, Census Bureau, Markit Economics, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.) ; provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet. 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period.

Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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