

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- As markets closed Friday, Americans were uncertain about which political party would prevail during the midterm elections.²
 - Through the weekend, projections show Republicans with a 211-206 edge in the House of Representatives, with 218 seats needed for majority control.
 - While in the Senate, Democrats are projected to maintain majority control, 50-49, with Georgia scheduled for a December runoff.
 - In the event of a 50-50 split, Vice President Kamala Harris has the tie-breaking vote.
- To the pleasant surprise of weary investors, the Consumer Pricing Index (CPI) print for October of 0.4% came in much softer than consensus expectations of 0.6%.
 - October's print represents the smallest 12-month increase since January 2022.
 - Even though CPI is down from June's peak of 9.1% Year over Year (YoY) headline CPI (the highest inflation rate in four decades), we are still a long way from the Federal Reserve's 2% target.
 - Core CPI, which omits food and energy, rose just 0.3%. Much weaker than consensus estimates of a 0.5% increase.
 - Increases in the shelter, energy, and food indices kept CPI elevated

How do Midterm Elections and CPI impact you?

- Though results are not finalized, a split Congress tends to be positive for investors – offering a greater likelihood of gridlock and limited legislative actions.
- The softer-than-expected CPI print injected life into a languishing market, though some members of the Federal Reserve signaled caution moving forward.
 - While the CPI data demonstrates the inflation shock Americans saw this past summer, which rose to a four-decade high, is starting to recede; a key concern is if the slowing is happening as quickly as the Federal Reserve would like.
 - Ultimately, it would be prudent for investors to temper optimism over this single data point.
 - In a conversation over the weekend, Fed Gov. Wallace said, "The market seems to have gotten way out in front over this one CPI report. Everybody should just take a deep breath, calm down. We've got a ways to go."³



A LOOK FORWARD¹

- Coming up this week, the US Bureau of Labor Statistics will release the Producer Price Index (PPI) for October on Tuesday, Retail Sales release on Wednesday.

How does the PPI and Retail Sales report impact you?

- As we push towards the end of 2022 and the all-important holiday spending shopping season, PPI and Retail sales reports will help inform if there is continued evidence of deflationary forces.



MARKET UPDATE

Market Index Returns as of 11/11/22	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	5.93	11.55	-15.08	-13.40	10.69	11.06
NASDAQ Composite TR USD	8.11	7.16	-27.13	-28.05	10.96	11.91
DJ Industrial Average TR USD	4.22	17.69	-5.51	-4.60	9.05	9.94
Russell Mid Cap TR USD	6.30	13.77	-13.84	-15.44	8.86	8.90
Russell 2000 TR USD	4.64	13.23	-15.19	-20.90	7.00	6.37
MSCI EAFE NR USD	8.42	15.59	-15.73	-16.61	1.37	1.79
MSCI EM NR USD	5.74	6.93	-22.11	-25.14	-1.67	-1.34
Bloomberg US Agg Bond TR USD	2.29	0.59	-14.10	-13.97	-2.88	-0.12
Bloomberg US Corporate High Yield TR USD	1.20	2.99	-12.20	-11.74	0.36	2.25
Bloomberg Global Aggregate TR USD	3.86	2.83	-17.63	-17.87	-4.61	-1.69



OBSERVATIONS

- U.S. equities held a strong rally to close out the week, with the tech-heavy Nasdaq leading the way, jumping +8.11%
- Among style boxes domestically, all were positive.
- Developed international markets lead the charge up on the week, roaring higher +8.42%.
- Bonds were also in the black, with the Bloomberg Barclays Global Aggregate Bond index +3.86 and Bloomberg Barclays U.S. Bonds +2.29%



BY THE NUMBERS

- **The Taxman Cometh:** A ticket sold in Altadena, California, was the sole winner of the \$2.04 billion Powerball jackpot this week. The lucky ticket holder won the largest jackpot in Powerball history and the largest jackpot in U.S. lottery history. The odds of winning the November 7 Powerball jackpot were about one in 292.2 million. Should this lucky individual opt for the \$997.6 million lump sum cash payment, the IRS would collect 24% or \$239.4 million off the top for federal tax. So really, congratulations to the government for winning the Powerball jackpot again.⁴
- **Flying Costs Sky High:** If you've looked at booking a flight recently, you'll notice airfares are quite high and airline executives expect them to stay that way. Part of the issue has been the surging fuel and labor costs facing airlines. Additionally, worker shortages and delayed plane deliveries are preventing airlines from adding more flights when more people want to fly. In September, the consumer-price index for airfare was up 43% in from a year earlier, according to the U.S. Labor Department. Ticket prices were still depressed last year, but airfares in the CPI were up 8% from September 2019, according to Airlines for America, a trade group.⁵
- **Young Voters Showing Up:** Voters under 30 cast their midterm ballots at nearly the highest rate in three decades. "About 27% of voters between the ages of 18-29 cast a ballot in the midterm election this year," according to an early estimate from the Center for Information and Research on Civic Learning and Engagement at Tufts University, also known as CIRCLE. The high-water mark for voters aged 18-29 of 31% was set in 2018.⁶

Definitions

Midterm Elections - Every two years, one-third of the US Senate's members and all 435 seats in the US House of Representatives are either elected (or reelected) or vacate their seat at the end of the term. When this biennial contest does not coincide with a presidential election, it is called a "midterm election."

Economic Definitions

CPI (Headline & Core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e., prices received by domestic producers for their outputs either on the domestic or foreign market).

Retail Sales: Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

Federal Reserve (Fed): The Federal Reserve System is the central banking system of the United States of America.

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal 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.

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¹ Data Obtained from Bloomberg as of 11/11/2022

² [2022 Midterm Elections | fivethirtyeight.com](https://www.fivethirtyeight.com/2022-midterm-elections/)

³ [Fed's Waller "We've got a long, long way to go" | msn.com](https://www.msn.com/en-us/news/politics/story/feds-waller-weve-got-a-long-long-way-to-go/)

⁴ [Winning Ticket for Powerball' Record \\$2.04 Billion Jackpot Sold In California | cnbc.com](https://www.cnn.com/2022/11/04/powerball-jackpot/index.html)

⁵ [Don't Expect Cheap Airfares to Come Back Soon | WSJ.com](https://www.wsj.com/news/airfares)

⁶ [Turnout among young voters was the second highest for a midterm in past 30 years | NPR.com](https://www.npr.com/2022/11/03/1128111111/turnout-young-voters-midterm)