

# Capital Markets Snapshot

February 7<sup>th</sup> to February 18<sup>th</sup>, 2022

## U.S. Economy

- Headline consumer price inflation grew 7.5% YoY in January (exp. 7.3%) and remained at 40-year highs. Food, shelter, and electricity were the largest contributors to the monthly increase in CPI.
- The University of Michigan's Consumer Sentiment Index hit 61.7, its lowest level since 2011, according to a preliminary February reading. Inflation concerns remain high, and overall confidence in government economic policies fell to its lowest level since 2014.
- Retail sales grew 3.8% in January (exp. 2.0%) reflecting inflation, but also growth in sales volume. Appreciation in home and equity prices have bolstered spending in the face of higher prices.

## U.S. Markets

- The January FOMC meeting minutes indicated Fed officials were coalescing around four or five hikes in 2022. Market expectations fell from around seven hikes to around six hikes over the period.
- The two-year Treasury yield rose from 1.31% to 1.47% and hit as high as 1.58% before the release of the January FOMC minutes.
- Large-cap equities and the growth factor remained under pressure and the S&P 500 Index fell 3.3% while exhibiting annualized volatility north of 20%. Small-cap equities (+0.4%) outperformed.
- The option-adjusted spread on the Bloomberg Corporate High Yield Index rose 23 bps to 3.65% and is up 82 bps year-to-date.

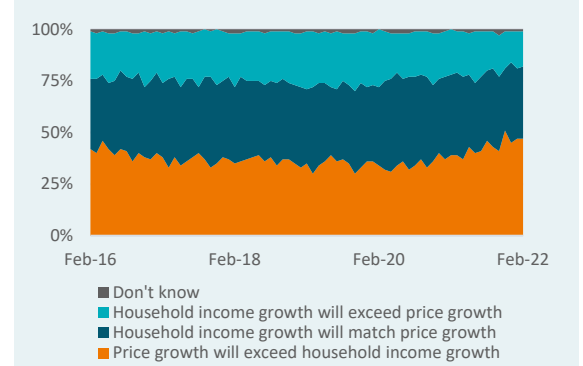
## International Economy

- Tensions in Europe ratcheted higher as Russia amassed troops near its Ukrainian border while reiterating that it was not planning to make an incursion. On Friday, President Biden stated that he was "convinced" President Putin had decided to invade Ukraine.
- The Eurozone recorded year-over-year GDP growth of 4.6% in the fourth quarter, meeting analyst expectations. The outlook for Q1 2022 appears much more challenging due to the spread of the Omicron variant, and rising inflation driven by energy prices.
- Japanese producer price inflation (+8.6% YoY) remained near records in January, due primarily to higher raw material prices.

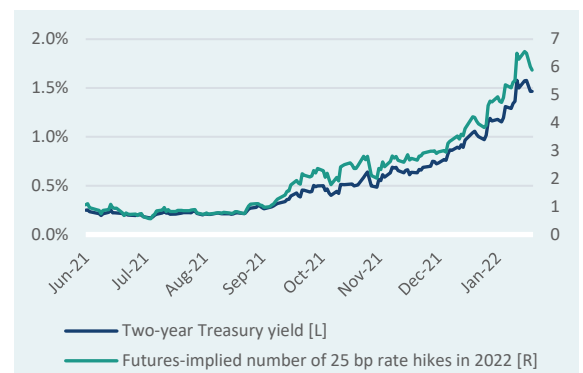
## International Markets

- Elevated levels of geopolitical risk pushed up implied volatility for European equities and boosted precious metals prices.
- The AUD/SEK cross rose to its strongest level since 2017, as AUD was viewed as a beneficiary of the potential imposition of sanctions on Russia given Australia's status as a rival commodity exporter, while SEK was seen as a proxy for Eurozone growth.
- The 10-year Japanese government bond yield rose to 22 bps, just three bps below the upper end of the Bank of Japan's allowed range. BoJ officials later offered to buy an unlimited number of bonds at a fixed rate of 0.25%, which led yields to fall slightly.

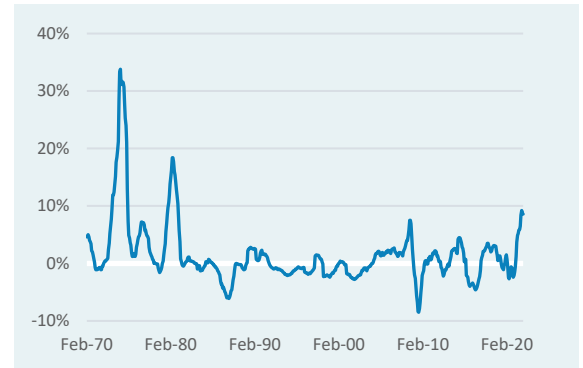
## REAL INCOME EXPECTATIONS NEXT 1-2 YEARS



## PRICING IN THE INTEREST RATE LIFTOFF

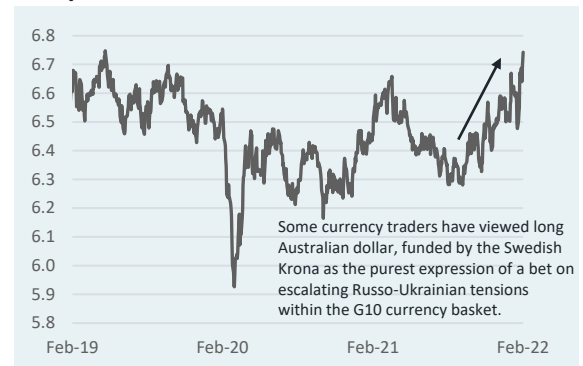


## JAPANESE PRODUCER PRICE INFLATION (YOY)



Source: Bank of Japan, as of 1/31/22

## AUD/SEK CROSS RATE



# Capital Markets Snapshot

## MARKET PERFORMANCE

### Equities

	Last Two Weeks 2/7/2022 - 2/18/2022		MTD		QTD		YTD	
	Return	Std Dev	Return	Std Dev	Return	Std Dev	Return	Std Dev
S&P 500 TR USD	-3.28	21.40	-3.58	21.61	-8.57	19.64	-8.57	19.64
Russell 2000 TR USD	0.40	26.19	-0.87	24.38	-10.42	26.25	-10.42	26.25
MSCI ACWI NR USD	-2.09	17.69	-1.89	17.59	-6.71	15.91	-6.71	15.91
MSCI EAFE NR USD	-0.46	17.12	0.67	16.61	-4.20	17.40	-4.20	17.40
MSCI EM NR USD	0.92	16.39	2.00	14.25	0.07	15.26	0.07	15.26

### Fixed Income

Bloomberg US Treasury US TIPS TR USD	0.13	7.26	-1.53	7.31	-3.52	6.79	-3.52	6.79
Bloomberg US Treasury TR USD	-0.26	7.40	-1.15	6.84	-3.03	5.97	-3.03	5.97
Bloomberg Long Term US Treasury TR USD	-0.49	16.14	-2.56	15.00	-6.59	15.40	-6.59	15.40
Bloomberg US Agg Bond TR USD	-0.64	6.64	-1.56	6.25	-3.68	5.42	-3.68	5.42
Bloomberg US Credit TR USD	-1.16	7.34	-2.28	7.22	-5.41	6.31	-5.41	6.31
Bloomberg High Yield Corporate TR USD	-1.21	5.02	-1.58	5.62	-4.27	4.39	-4.27	4.39
JPM EMBI Global Diversified TR USD	-1.31	4.85	-1.60	5.26	-4.40	5.55	-4.40	5.55

### Other

Bloomberg Commodity TR USD	1.89	12.63	3.51	13.07	12.60	12.87	12.60	12.87
Wilshire US REIT TR USD	-2.55	20.76	-3.78	19.85	-10.45	18.16	-10.45	18.16
MSCI Currency Factor Mix ER USD	0.21	2.37	-0.13	2.21	0.71	2.38	0.71	2.38

Source: Morningstar, data as of last available market close, Top/bottom two highlighted.

## ECONOMIC DATA - RELEASED

Date	Country	Event	Freq	Period	Surv(M)	Actual	Surprise
02/07/22	US	Consumer Credit	M	Dec	\$21.900b	\$18.898b	-0.5
02/07/22	JN	Eco Watchers Survey Outlook SA	M	Jan	45.8	42.5	-1.1
02/08/22	US	NFIB Small Business Optimism	M	Jan	97.5	97.1	-0.7
02/08/22	US	Trade Balance	M	Dec	-\$83.0b	-\$80.7b	1.7
02/10/22	US	CPI YoY	M	Jan	7.3%	7.5%	2.2
02/10/22	US	CPI Ex Food and Energy YoY	M	Jan	5.9%	6.0%	1.3
02/10/22	UK	GDP YoY	Q	4Q P	6.4%	6.5%	0.2
02/11/22	US	U. of Mich. Sentiment	M	Feb P	67.0	61.7	-3.5
02/14/22	CH	1-Yr Medium-Term Lending Facility Rate	D	15-Feb	2.9%	2.9%	0.0
02/14/22	JN	GDP Annualized SA QoQ	Q	4Q P	6.0%	5.4%	-0.5
02/15/22	US	PPI Final Demand MoM	M	Jan	0.5%	1.0%	5.0
02/16/22	US	NAHB Housing Market Index	M	Feb	82.0	82.0	0.0
02/16/22	US	FOMC Meeting Minutes	D	26-Jan	--	--	--
02/17/22	US	Housing Starts	M	Jan	1695k	1638k	-1.5
02/17/22	US	Philadelphia Fed Business Outlook	M	Feb	20.0	16.0	-1.5

## ECONOMIC DATA - NEXT TWO WEEKS

Date	Country	Event	Freq	Period	Prior	Surv(M)	Std Dev
02/21/22	EC	Markit Eurozone Services PMI	M	Feb P	51.1	52.1	1.0
02/22/22	GE	IFO Business Climate	M	Feb	95.7	96.5	0.6
02/22/22	US	S&P CoreLogic CS 20-City YoY NSA	M	Dec	18.3%	18.0%	0.6
02/22/22	US	Markit US Services PMI	M	Feb P	51.2	53.0	0.9
02/22/22	US	Conf. Board Consumer Confidence	M	Feb	113.8	110.0	1.8
02/25/22	US	Personal Income	M	Jan	0.3%	-0.4%	0.5
02/25/22	US	Personal Spending	M	Jan	-0.6%	1.5%	0.6
02/25/22	US	PCE Core Deflator YoY	M	Jan	4.9%	5.2%	0.2
02/28/22	CH	Caixin China PMI Mfg	M	Feb	49.1	48.9	0.5
03/01/22	US	Wards Total Vehicle Sales	M	Feb	15.04m	14.10m	0.5
03/02/22	CA	Bank of Canada Rate Decision	D	2-Mar	0.25%	0.50%	0.0
03/03/22	US	ISM Services Index	M	Feb	59.9	61.0	0.7
03/04/22	US	Change in Nonfarm Payrolls	M	Feb	467k	400k	199.3
03/04/22	US	Unemployment Rate	M	Feb	4.0%	3.9%	0.1
03/04/22	US	Labor Force Participation Rate	M	Feb	62.2%	--	--

Source: Bloomberg



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