

In this week's recap: Stocks sink on rate hike talk.

Weekly Economic Update

Presented by Keystone Financial Group, January 24, 2022

THE WEEK ON WALL STREET

Stocks extended their January retreat as worries over inflation and rising bond yields continued to exert downward pressure on prices.

The Dow Jones Industrial Average slid 4.58%, while the Standard & Poor's 500 sank 5.68%. The Nasdaq Composite index dropped 7.55% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, slipped 0.61%.^{1,2,3}

ANOTHER TURBULENT WEEK

After the holiday weekend, stocks found little respite from this month's selling pressures. The week began with the 10-year Treasury yield hitting a two-year high that triggered a broad retreat in stocks, with technology and other high-growth companies bearing the brunt of the losses. The Nasdaq Composite officially entered correction territory and closed below its 200-day moving average for the first time since April 2020.⁴

Stocks struggled throughout the week, rallying in early trading on both Wednesday and Thursday on solid corporate earnings and stabilizing bond yields, only to end lower on late-day selling. While last year may have been distinguished by "buying on the dip," this week reflected a different mindset, "selling on the rebound." Stocks extended their losses in the final hours of the Friday trading session to conclude a difficult week.

RATE HIKE EXPECTATIONS RISE

Recent market volatility has stemmed predominantly from inflation concerns and how aggressive the Fed will be in fighting it. This reaction reflects the market's pricing of rate hike probabilities, and their estimation of the Fed's reaction.

Last week's interest rate futures suggested that investors expect four or five rate hikes this year, up from three to four the previous week. Markets are pricing a 32% probability of 4-5 rate hikes

by December and a nearly 28% probability of 5-6 rate hikes by year-end. Of course, the Fed will act independently of the market, but it provides insight into the recent run-up in yields and continuing pressure on high-growth stock valuations.^{5,6}

TIP OF THE WEEK



If a major financial or life event is coming up on your calendar, talk to a financial professional about it now. See what ideas they may have about how to manage the event.

THE WEEK AHEAD: KEY ECONOMIC DATA

Monday: Purchasing Managers' Index (PMI) Composite Flash.

Tuesday: Consumer Confidence.

Wednesday: New Home Sales. FOMC Announcement.

Thursday: Gross Domestic Product (GDP). Durable Goods Orders. Jobless Claims.

Friday: Consumer Sentiment.

Source: Econoday, January 21, 2022

The Econoday economic calendar lists upcoming U.S. economic data releases (including key economic indicators), Federal Reserve policy meetings, and speaking engagements of Federal Reserve officials. The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: International Business Machines (IBM).

Tuesday: Microsoft Corporation (MSFT), General Electric Company (GE), Verizon Communications, Inc. (VZ), Johnson & Johnson (JNJ), Lockheed Martin Corporation (LMT), Texas Instruments, Inc. (TXN), American Express Company (AXP), Capital One Financial Corporation (COF), Raytheon Technologies Corporation (RTX).

Wednesday: AT&T, Inc. (T), Intel Corporation (INTC), The Boeing Company (BA), Tesla, Inc. (TSLA), Abbott Laboratories (ABT), ServiceNow, Inc. (NOW), KimberlyClark Corporation (KMB), Norfolk Southern Corporation (NSC).

Thursday: Apple, Inc. (AAPL), Visa, Inc. (V), Mastercard, Inc. (MA), McDonald's Corporation (MCD), Northrop Grumman Corporation (NOC), Blackstone, Inc. (BX), Southwest Airlines Co. (LUV), The SherwinWilliams Company (SHW), Mondelez International, Inc. (MDLZ).

Friday: Caterpillar, Inc. (CAT), Chevron Corporation (CVX), ColgatePalmolive Company (CL).

Source: Zacks, January 21, 2022

Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Investing involves risks, and investment decisions should be based on your own goals, time horizon, and tolerance for risk. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

QUOTE OF THE WEEK



“Brass shines as fair to the ignorant as gold to the goldsmiths.”

ELIZABETH I

Market Index	Close	Week	Y-T-D
DJIA	34,265.37	-4.58%	-5.70%
NASDAQ	13,768.92	-7.55%	-11.99%
MSCI-EAFE	2,318.85	-0.61%	-0.74%
S&P 500	4,397.94	-5.68%	-7.73%



Treasury	Close	Week	Y-T-D
10-Year Note	1.75%	-0.03%	+0.23%

Sources: The Wall Street Journal, January 21, 2022; Treasury.gov, January 21, 2022
 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, January 14, to Friday, January 21, close. Weekly performance for the MSCI-EAFE is measured from Friday, January 14, open to Thursday, January 20, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

THE WEEKLY RIDDLE



A woman sailed into the Bahamas with her boat on the 28th of April. She stayed in the Bahamas for three weeks and then left in April. How is this possible?

LAST WEEK'S RIDDLE: How many times can you subtract the number 4 from 40?

ANSWER: Once. After that, you will no longer be working with the number 40.

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CITATIONS:

1. The Wall Street Journal, January 21, 2022
2. The Wall Street Journal, January 21, 2022
3. The Wall Street Journal, January 21, 2022
4. CNBC, January 17, 2022

5. The Wall Street Journal, January 18, 2022

6. CME, January 19, 2022