

*In this week's recap: Markets rally; earnings better than expected.*

# Weekly Economic Update

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*Presented by Keystone Financial Group, August 1, 2022*

## THE WEEK ON WALL STREET

Undaunted by another Fed rate hike and news of a contracting economy, the stock market rallied last week on better-than-expected corporate earnings.

The Dow Jones Industrial Average increased 2.97%, while the Standard & Poor's 500 picked up 4.26%. The Nasdaq Composite index gained 4.70% for the week. The MSCI EAFE index, which tracks developed overseas stock markets, rose 0.95%.<sup>1,2,3</sup>

## STOCKS RALLY ON EARNINGS

It was an inauspicious start to the week after a big-box retailer missed earnings and reduced forward guidance on Tuesday, sparking a broad market retreat.

But sentiment improved following mega-cap technology company earnings that proved better than expected. Enthusiasm gathered steam in the wake of the Fed's 0.75% rate hike, boosted by Fed Chair Powell's comments following Wednesday's Federal Open Market Committee meeting. Powell indicated that it might become appropriate to slow the pace of future hikes, and he didn't believe the economy had entered into recession. Stocks on Thursday shrugged off news of a second-consecutive quarter of negative economic growth to build on Wednesday's gains as fresh earnings continued to comfort, if not impress, investors.<sup>4</sup>

## ECONOMY CONTRACTS

The U.S. economy shrank at an annualized rate of 0.9% in the second quarter as consumers pulled back on spending and businesses worked to reduce inventories. It was the second-consecutive quarter of negative economic growth, meeting the technical definition of a recession. Unlike past recessions, hiring has been strong all year, with the unemployment rate near historic lows.<sup>5</sup>

The economic slowdown was attributable primarily to decreases in inventories, a deceleration in the housing market, and lower government spending. Consumer spending increased a tepid one percent, well below the inflation rate during the same period. <sup>6</sup>

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#### TIP OF THE WEEK



*If you are expecting a child, take a moment to calculate the amount left on your mortgage and to roughly estimate the future cost of his or her college education. Besides defining some financial goals, this may also help you determine how much life insurance you should consider.*

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#### THE WEEK AHEAD: KEY ECONOMIC DATA

**Monday:** Institute for Supply Management (ISM) Manufacturing Index.

**Tuesday:** Job Openings and Labor Turnover Survey (JOLTS).

**Wednesday:** Automated Data Processing (ADP) Employment Report. Institute for Supply Management (ISM) Services Index. Factory Orders.

**Thursday:** Jobless Claims.

**Friday:** Employment Situation.

Source: Econoday, July 29, 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

**Tuesday:** Advanced Micro Devices, Inc. (AMD), PayPal Holdings, Inc. (PYPL), Caterpillar, Inc. (CAT), Prudential Financial, Inc. (PRU), Starbucks Corporation (SBUX), Marathon Petroleum Corporation (MPC), Marriott International, Inc. (MAR).

**Wednesday:** CVS Health Corporation (CVS), Fortinet, Inc. (FTNT), PPL Corporation (PPL), Booking Holdings, Inc. (BKNG), Occidental Petroleum Corporation (OXY), Regeneron Pharmaceuticals, Inc. (REGN).

**Thursday:** Block, Inc. (SQ), Twilio, Inc. (TWLO), Amgen, Inc. (AMGN), Eli Lilly and Company (LLY), ConocoPhillips (COP), Air Products and Chemicals, Inc. (APD), Albemarle Corporation (ALB), Kellogg Company (K).

**Friday:** Berkshire Hathaway, Inc. (BRK.A).

Source: Zacks, July 29, 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.

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#### QUOTE OF THE WEEK

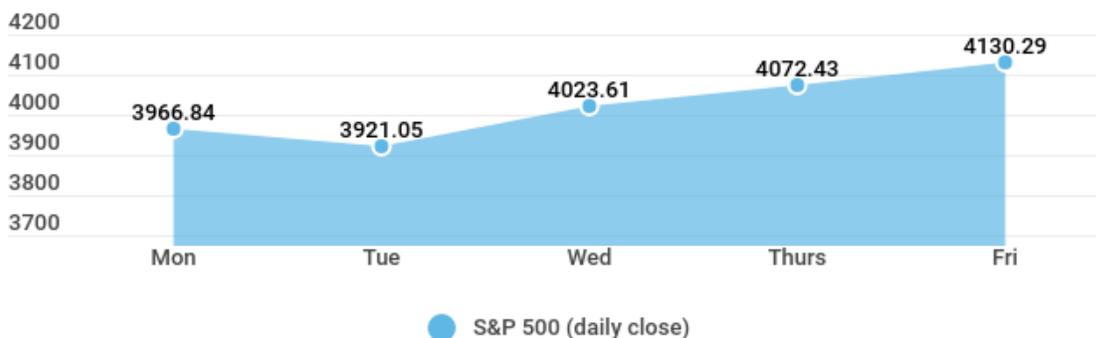


*“Innovation is saying ‘no’ to 1,000 things.”*

*STEVE JOBS*

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Market Index	Close	Week	Y-T-D
DJIA	32,845.13	+2.97%	-9.61%
NASDAQ	12,390.69	+4.70%	-20.80%
MSCI-EAFE	1,915.34	+0.95%	-18.01%
S&P 500	4,130.29	+4.26%	-13.34%



	Treasury	Close	Week	Y-T-D
	10-Year Note	2.67%	-0.10%	+1.15%

Sources: The Wall Street Journal, July 29, 2022; Treasury.gov, July 29, 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, July 22, to Friday, July 29, close. Weekly performance for the MSCI-EAFE is measured from Friday, July 22, open to Thursday, July 28, close. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points.

## THE WEEKLY RIDDLE



*A rain gauge collects rainfall each day of a wet week beginning on Monday. Every day, the amount of rain in the gauge*

*doubles. At Sunday's end, the rain gauge is completely filled. So on which day is it half-filled?*

*LAST WEEK'S RIDDLE: I can't be seen, but I'm all around. I have no mouth, yet can make a sound. I can be harnessed, but never bound. No hands have I, yet I move the ground. What am I?*

*ANSWER: Wind.*

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CITATIONS:

1. The Wall Street Journal, July 29, 2022
2. The Wall Street Journal, July 29, 2022
3. The Wall Street Journal, July 29, 2022
4. The Wall Street Journal, July 27, 2022
5. CNBC, July 28, 2022

6. CNBC, July 28, 2022