Friday Forethought

For week ending October 28, 2022

A Rainbow, After a Heck of a Storm?

The recent bounce in the Dow Jones Industrial Average has been reflecting good market news, while the NASDAQ and S&P 500 have been held down by some key tech related earnings reports falling short of expectations, and thus taking down respective indexes. Some of the good news - after two consecutive down quarters, the GDP grew at an annual rate of 2.6% in July, August and September (npr.com), which served to help ease investors' concerns about a recession. As well, this stronger than expected GDP growth provided some decent news on inflation. The chain-weighted price index, a cost of living measure that is adjusted to reflect changing consumer behavior, rose 4.1% for the quarter, well below the 5.3% estimate (cnbc.com). This GDP news played nicely into a number of risk assets, creating more hope that the worst of inflation may be behind us. Yes, this is encouraging news, but don't get too far ahead of your skis just yet, as this apparent improvement is partly the result of fluctuations in things like international trade - which during the previous two quarters, made the GDP look artificially weak, and now it's helping to pump up this figure. Also helping drive the GDP is consumer spending which rose again in the most recent quarter. So the good news is that the GDP is no longer shrinking, but net-net, we are kind of treading water, and likely will be for a while.

The housing market is still feeling the pain of everything that is inflation - with interest rates exceeding 7% (the highest since 2001) and mortgage application activity at its slowest pace since 1997 (reuters.com), it is no wonder that the 20-city composite home price index has declined for six straight months.

Our Take

It looks like we are seeing an economy slow down enough so that we do not have to worry about the Fed raising rates beyond what is already baked in. As investors gain confidence that the market has priced in the right amount of Fed tightening, we should start to see higher equity values. We feel there could still be more fallout in the more volatile sectors, so be careful on buying dips. As interest rates appear to be nearing an apex, it could be a good time to consider longer term bond funds. There is a lot going on in the market, so please feel free to contact us if you have any questions.

QUIN OAKS
INVESTMENT GROUP
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Leading Trends

The S&P 500 Energy and S&P 500 Consumer Staples Sector are the leading sectors year-to-date: up 61.14% and down 7.35% respectively

Lagging Trends

S&P 500 Real Estate Sector and S&P 500 Communication Services Sector are the lagging sectors year-to-date: down 30.60% and down 40.24% respectively.

Weekly Markets

↗	S&P 500	3,807.30	+3.86%
↗	NASDAQ	10,792.67	+1.68%
↗	DJIA[1]	32,033.28	+5.60%

[1]Dow Jones Industrial Average

↘	10-YR US Treasury	3.924%	-30.86 bps
↗	GOLD	1,665.50	+2.08%
↗	OIL	88.60	+3.41%

Market close 10-20-2022 to market close 10-27-2022

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