

*In this month's recap: It was a challenging month for investors as losses in mega-cap tech companies spilled over to the broader market.*

# Monthly Economic Update

---

*Presented by Pat Reding and Bo Schnurr, May 2022*

## U.S. Markets

April was a challenging month for investors as losses in mega-cap technology companies and high-valuation stocks spilled over to the broader market.

The Dow Jones Industrial Average lost 4.91 percent while the Standard & Poor's 500 Index dropped 8.80 percent. The Nasdaq Composite fell 13.26 percent.<sup>1</sup>

## Challenging Month

Stocks struggled all month as investors grew increasingly skittish over a stream of hawkish comments by Federal Reserve officials.

Fed Chair Jerome Powell unnerved investors when he suggested that it may be appropriate to consider front-end loading rate hikes. A few weeks earlier, Fed governor Lael Brainard, considered one of the Fed's more dovish members, implied that the Fed could take a more aggressive monetary tightening approach.

## Fed Watching Inflation

Inflation continued to be an overhang on the market. March's Consumer Price Index (CPI) was 8.5 percent year-over-year, the fastest pace since December 1981, while the Producer Price Index reflected continuing price pressures in the pipeline, picked up 11.2 percent from a year ago—a new all-time high.<sup>2</sup>

The combination of a tightening monetary policy and hot inflation drove bond yields higher, with the 10-year Treasury Note yield moving from 2.32 percent at March-end to 2.89 percent by the close of April.<sup>3</sup>

## Upbeat Earnings

The first-quarter earnings season got off to a mostly positive start. Of the 55 percent of the S&P 500 companies reporting earnings so far, 80 percent have beaten Wall Street analysts' earnings estimates. Companies appear to be navigating accelerating inflation, shaky consumer confidence, higher rates, and supply chain challenges.<sup>4</sup>

Markets closed out April with a volatile week, reflecting the general investor unease that weighed on markets all month.

## Sector Scorecard

Only one sector managed to post a gain: Consumer Staples (+2.31 percent). The remaining sectors moved lower, with losses in Energy (-1.69 percent), Real Estate (-3.56 percent), Utilities (-4.30 percent), Communications Services (-14.13 percent), Consumer Discretionary (-11.96 percent), Financials (-9.94 percent), Health Care (-4.89 percent), Industrials (-7.61 percent), Materials (-3.54 percent), and Technology (-11.02 percent).<sup>5</sup>

## What Investors May Be Talking About in May

In May, investors will be adjusting to the most recent Fed decision about short-term rates and looking for clues about what to expect at the next few Federal Open Market Committee (FOMC) meetings. The two upcoming meetings will be held in fairly quick succession: June 14–15 and July 26–27.<sup>6</sup>

While the markets may have already priced in some of the Fed's plans for higher rates, it's unclear how investors will react when governors provide guidance for the rest of the year.

---

### TIP OF THE MONTH



*Starting a small business? A written plan is handy for forecasting, budgeting, and presenting your idea to potential investors. A written plan is far preferable to one you keep in your head.*

---

## World Markets

Global markets trended lower as China's lockdowns and the war in Ukraine continued to weigh on investor sentiment.

Major European markets moved lower as investors grappled with an uncertain energy picture. Italy lost 3.07 percent, Germany dropped 2.2 percent, and France fell 1.89 percent.<sup>7</sup>

Stocks in the Pacific Rim markets were under pressure. China's Hang Seng Index lost 4.13 percent, Korea's KOSPI Index slipped 2.27 percent, and Australia's ASX 200 lost 0.86 percent.<sup>8</sup>

## Indicators

**Gross Domestic Product:** The economy shrank at an annualized rate of 1.4 percent in the first quarter. The decline in GDP growth was largely attributable to a widening trade deficit and a slowing rate of inventory build-up by businesses.<sup>9</sup>

**Employment:** The unemployment rate dipped to 3.6 percent as employers added 431,000 jobs in March, while January and February estimates were revised higher. This marks the eleventh consecutive month that payrolls have increased by more than 400,000. Wage growth (+5.1 percent in February), while strong, remains below the rate of inflation.<sup>10</sup>

**Retail Sales:** Retail sales rose 0.5 percent in March. Much of that gain was attributable to an 8.9 percent jump in sales at gas stations, a reflection of rising gasoline prices.<sup>11</sup>

**Industrial Production:** Industrial production expanded by 0.9 percent, as factory capacity utilization rose to 78.8 percent, the highest since 2007.<sup>12</sup>

**Housing:** Housing starts rose 0.3 percent. Economists had expected a decline for the month. The increase was driven by a jump in multifamily homes, as starts of single family homes tumbled.<sup>13</sup>

Sales of existing homes fell 2.7 percent in March amid higher mortgage rates and home prices. The median price of an existing home sold last month was \$375,300, which represents a 15 percent increase from March 2021 and the highest price ever recorded.<sup>14</sup>

New home sales slowed in March, falling 8.6 percent from February and 12.6 percent from March 2021.<sup>15</sup>

**Consumer Price Index:** Consumer inflation hit a 40-year high, climbing 8.5 percent year-over-year. Core inflation (excludes the more volatile energy and food prices) rose 6.5 percent over last year, the steepest increase since August 1982.<sup>16</sup>

**Durable Goods Orders:** Durable goods orders increased 0.8 percent, in line with expectations. Excluding the defense sector, durable goods orders rose by 1.2 percent.<sup>17</sup>

---

#### QUOTE OF THE MONTH



*“Surround yourself only with people who are going to take you higher.”*

OPRAH WINFREY

---

On April 6th, the minutes from March's FOMC meeting were released. These pointed to a growing consensus for one or more future rate hikes of 50 basis points and a general agreement on a framework for reducing the Fed's balance sheet by \$95 billion per month.

The balance sheet reduction is likely to begin in May and be phased in over three months.<sup>18</sup>

During the FOMC meeting, the participants concluded, "Ukraine was perceived as adding to the uncertainty around the outlook for economic activity and inflation, as the conflict carried the risk of further exacerbating supply chain disruptions and of putting additional upward pressure on inflation by boosting the prices for energy, food, and other key commodities."<sup>19</sup>

MARKET INDEX	Y-T-D CHANGE	April 2022
DJIA	-9.25%	-4.91%
NASDAQ	-21.16%	-13.26%
S&P 500	-13.31%	-8.80%

BOND YIELD	Y-T-D	April 2022
10 YR TREASURY	1.38%	2.89%

Sources: Yahoo Finance, April 30, 2022.

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid.

---

## THE MONTHLY RIDDLE



*You use it between your head and your toes; the more it works, the thinner it grows. What is it?*

*LAST MONTH'S RIDDLE: 1987, 1993, 1997, 1999. These are not only years on the calendar, but also prime numbers. After 1999, what was the next year that was also a prime number?*

*ANSWER: 2003.*

---

Pat Reding and Bo Schnurr may be reached at 800-288-6669;  
pbh@berthelrep.com; or [www.prismwealthadvisors.com](http://www.prismwealthadvisors.com)

### Know someone who could use information like this?

Please feel free to send us their contact information via phone or email. (Don't worry – we'll request their permission before adding them to our mailing list.)

---

Pat Reding and Bo Schnurr may be reached toll-free at 800-288-6669.

Registered Representative of and securities offered through Berthel Fisher & Company Financial Services, Inc. (BFCFS). Member FINRA/SIPC. Investment advisory services offered through BFC Planning, Inc. PRISM Wealth Advisors, LLC, BFCFS, and BFC Planning, Inc. are independent entities

This material was prepared by MarketingPro, Inc., and does not necessarily represent the views of the presenting party, nor their affiliates. The information herein has been derived from sources believed to be accurate. Please note - investing involves risk, and past performance is no guarantee of future results. Investments will fluctuate and when redeemed may be worth more or less than when originally invested. This information should not be construed as investment, tax or legal advice and may not be relied on for the purpose of avoiding any Federal tax penalty. This is neither a solicitation nor recommendation to purchase or sell any investment or insurance product or service, and should not be relied upon as such. All market indices discussed are unmanaged and are not illustrative of any particular investment. Indices do not incur management fees, costs, or expenses. Investors cannot invest directly in indices. All economic and performance data is historical and not indicative of future results. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. The NASDAQ Composite Index is a market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Standard & Poor's 500 (S&P 500) is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The CBOE Volatility Index® (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. NYSE Group, Inc. (NYSE:NYX) operates two securities exchanges: the New York Stock Exchange (the "NYSE") and NYSE Arca (formerly known as the Archipelago Exchange, or ArcaEx®, and the Pacific Exchange). NYSE Group is a leading provider of securities listing, trading and market data products and services. The New York Mercantile Exchange, Inc. (NYMEX) is the world's largest physical commodity futures exchange and the preeminent trading forum for energy and precious metals, with trading conducted through two divisions – the NYMEX Division, home to the energy, platinum, and palladium markets, and the COMEX Division, on which all other metals trade. The SSE Composite Index is an index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange. The CAC-40 Index is a narrow-based, modified capitalization-weighted index of 40 companies listed on the Paris Bourse. The FTSEurofirst 300 Index comprises the 300 largest companies ranked by market capitalization in the FTSE Developed Europe Index. The FTSE 100 Index is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalization. Established in January 1980, the All Ordinaries is the oldest index of shares in Australia. It is made up of the share prices for 500 of the largest companies listed on the Australian Securities Exchange. The S&P/TSX Composite Index is an index of the stock (equity) prices of the largest companies on the Toronto Stock Exchange (TSX) as measured by market capitalization. The Hang Seng Index is a free float-adjusted market capitalization-weighted stock market index that is the main indicator of the overall market performance in Hong Kong. The FTSE TWSE Taiwan 50 Index is a capitalization-weighted index of stocks comprising 50 companies listed on the Taiwan Stock Exchange developed by Taiwan Stock Exchange in collaboration with FTSE. The MSCI World Index is a free-float weighted equity index that includes developed world markets and does not include emerging markets. The Mexican Stock Exchange, commonly known as Mexican Bolsa, Mexbol, or BMV, is the only stock exchange in Mexico. The U.S. Dollar Index measures the performance of the U.S. dollar against a basket of six currencies. Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. MarketingPro, Inc. is not affiliated with any person or firm that may be providing this information to you. The publisher is not engaged in rendering legal, accounting, or other professional services. If assistance is needed, the reader is advised to engage the services of a competent professional.

#### CITATIONS:

1. WSJ.com, April 30, 2022
2. CNBC.com, April 13, 2022
3. Treasury.gov, April 2022
4. Insight.factset.com, April 29, 2022
5. Sector.SPDR.com, April 2022
6. FederalReserve.gov, 2022
7. MSCI.com, April 30, 2022
8. MSCI.com, April 30, 2022
9. WSJ.com, April 28, 2022
10. WSJ.com, April 1, 2022
11. WSJ.com, April 14, 2022
12. Bloomberg.com, April 15, 2022
13. CNBC.com, April 19, 2022
14. CNBC.com, April 20, 2022
15. Census.gov, April 26, 2022
16. WSJ.com, April 12, 2022
17. WSJ.com, April 26, 2022
18. CNBC.com, April 6, 2022
19. FederalReserve.gov, March 15-16, 2022