THE WEEK IN REVIEW

U.S. equity indexes moved lower this week amid rising COVID-19 cases in Shanghai and elevated March inflation data. China’s strict lockdown policy to contain the virus led to multiple Shanghai-area manufacturers shutting down production, including Pegatron, the second largest assembler of Apple products, and German auto parts supplier Robert Bosch GmbH. Halting Chinese-based production could add pressure to global supply chains. Yields on the U.S. 10-year Treasury note climbed to multiyear highs as investors assessed stronger inflation and the Fed’s monetary policy tightening. Federal Reserve board member Christopher Waller said he believes the economic and inflation data supports a 50-basis-point rate hike in May and possibly in June and July. Federal fund futures indicate investors expect 50-basis-point rate hikes at the Fed’s May and June meetings. Waller and Fed governor Lael Brainard said the economy is strong enough to withstand rate hikes without triggering a recession.

Investor attention began to shift to corporate earnings as the first quarter reporting season ramped up with a wave of bank earnings. Earnings results from Citigroup (C), Morgan Stanley (MS), and Goldman Sachs (GS) beat analysts’ estimates due to strong performance from their trading divisions in the volatile quarter. JP Morgan’s (JPM) results were clouded by a $524 million loss on commodities and derivatives related to the Russia invasion of Ukraine and associated sanctions. JPM set aside $902 million in reserves in the quarter because of a more uncertain outlook and a slightly higher probability of a recession.

The Consumer Price Index (CPI) rose 8.5% in March from a year ago and 1.5% from a month earlier, marking its highest year-over-year increase since December 1981. Roughly 50% of the monthly increase was driven by higher gasoline prices. Core CPI, which excludes food and energy, increased 6.5% year over year. Additionally, the U.S. Producer Price Index (PPI) rose 1.4% in March, accelerating from a 0.8% gain in February; PPI climbed 11.2% from one year ago as prices for energy, agricultural, and industrial metal commodities climbed sharply following Russia’s invasion of Ukraine. Both the monthly and year-over-year PPI readings were the largest gains on record. The NFB small business optimism index fell to 93.2 in March from 95.7 in February, the lowest level since April 2020. The decline was primarily driven by pessimism about future business conditions including the effect of inflation, staff shortages and supply chain bottlenecks. Retail sales increased 0.5% in the month of March, driven by higher prices at the pump. Gasoline sales increased 8.9% in March while online sales fell 6.4%.

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**ECONOMIC INDICATOR** | **LATEST** | **3MO PRIOR** | **CHANGE**
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Core Consumer Price Index (Y/Y) | 6.3% | 5.3% | ▲
Core Producer Price Index (Y/Y) | 9.2% | 8.6% | ▲
Retail Sales (Y/Y) | 6.9% | 16.6% | ▼
NFIB Small Business Optimism | 93.2 | 98.9 | ▼
U. of Mich. Consumer Sentiment | 65.7 | 67.2 | ▼

**INDEX** | **LEVEL** | **WEEK** | **YTD** | **12 MO**
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DJ Industrial Average | 34451.23 | -0.78% | -5.19% | 2.14%
NASDAQ | 13351.08 | -2.63% | -14.66% | -3.66%
S&P 500 | 4592.59 | -2.13% | -7.84% | 6.50%
MSCI EAFE | 2113.90 | -1.20% | -9.51% | -6.99%
Bbg Barclays Aggregate US | 2154.04 | -0.70% | -8.54% | -7.43%

**KEY BOND RATES** | **WEEK** | **1MO AGO** | **1YR AGO**
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3-Month T-Bill | 0.75% | 0.38% | 0.02%
10-Year Treasury | 2.83% | 2.13% | 1.63%

**REPORTS DUE NEXT WEEK** | **LATEST**
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Housing Starts (Millions Annualized) | 1,769
Existing Home Sales (Millions Annualized) | 6,020
Building Permits (Millions Annualized) | 1,865
S&P Global U.S. Manufacturing PMI | 58.8
S&P Global U.S. Services PMI | 58.0

Price returns as of the last available closing data. Source data: Bloomberg and Morningstar are believed to be correct but not verified.

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