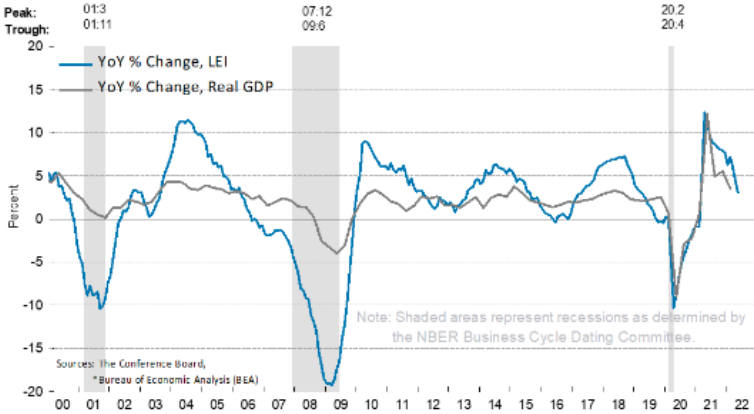


[TACTICAL] The Fed's attempt to build market confidence to combat inflation was counterproductive. Instead, it spooked an already dismal market with its hawkish narrative and unconditional commitment to restore price stability by aggressively raising interest rates. Panic selling resulted in the S&P 500 falling by 5.75% last week, while bonds overall declined 0.92%.

Global stocks suffered another weekly drop as the aggressive pace of stimulus withdrawal by major central banks caused investors to sell equities. US equities are now in a bear market, a decline of 20% or more. The Federal Reserve, Bank of England, and the Swiss National Bank all raised interest rates last week to tame surging inflation. With economic data coming in weaker, investors are increasingly concerned with higher risk of recession. The more aggressive stance by central banks adds to headwinds for both economic growth and equities. The Federal Reserve lifted rates by 0.75% on Wednesday, the biggest hike since 1994, according to The Financial Times. Technology stocks that are more sensitive to interest rates and cyclical plays underperformed for the week. Declines were not limited to equities as cryptocurrencies such as Bitcoin dropped by more than 30% for the week. Crude oil prices also took a leg lower, closing under \$110 per barrel in anticipation of lower demand from a potential slowdown in global growth. Investors' expectation of higher volatility lifted the VIX index above 30. The yield on the 10-Year Treasury note fell for the week to close around 3.2% before hitting a high of just under 3.5% after the Fed's rate announcement on Wednesday.

This week will be a shortened trading week as markets are closed on Monday for the Juneteenth holiday. But the expectation is for continued volatility when trading resumes. The Fed Chair Jerome Powell is scheduled to testify before both houses of congress. Powell stated last week that he and his committee members are determined to keep inflation expectations from rising. On Friday, investors will receive the final reading of the University of Michigan's Consumer Sentiment Index. The preliminary reading for June was at a record low sentiment. The inflation expectation of the survey will also be watched

The trajectory of the US LEI continued to moderate in May



The impact of the Fed's rate hikes is cooling the US economy as intended. The housing market appears to be slowing rapidly, with housing starts and mortgage applications dropping sharply. The labor market is also being affected as more and more announcements of layoffs are being made, especially in the technology sector. Consumer sentiment is at record lows, and production in US factories fell for the first time in two years. GDP growth estimates are being revised down, with the Fed now anticipating a 2022 growth rate of 1.7% versus their prior estimate of 2.8% in March and the unemployment rate to rise to 4.1% by 2024 from the current 3.6%, according to cnbc.com. A report from the Conference Board showed its Leading Economic Index fell in May (graph). Fed Chair Powell delivered a strong message during his press conference after raising rates by 0.75% on Wednesday. The Fed is determined to do what is necessary to address inflation. The number one priority is dramatically reducing price pressures, even at the cost of slower economic growth and higher unemployment. SOURCE: https://www.conference-board.org/us/

closely. We will also get important updates on the housing market, with new and existing home sales data being released on Tuesday and Friday for the month of May. The expectation is for both to be lower as higher mortgage rates and declining affordability is preventing many from being able to purchase homes. A few notable companies, such as FedEx, Rite Aid, and Darden Restaurants, will also report earnings.

Table with market events for June 20-24, 2022, including Juneteenth Holiday, NFIB Small Business Optimism Index, PPI and Core PPI, Euro Zone Industrial Production, Mortgage Market Index, Redbook, Fed Chair Powell testifies, H.B. Fuller earnings, Initial jobless claims, Continuing jobless claims, Mfg PMI, Gasoline Inventories and Production, Accenture earnings, New Home Sales, UMich Consumer Sentiment, and CarMax earnings.

Table with 8 columns: Index, YTD Daily, 1 Wk Daily, 1 Mo Daily, 3 Mo Daily, 1 Yr Daily, 2 Yr Daily, 3 Yr Annualized Daily. Rows include S&P 500 Index, S&P 500 Growth Index, S&P 500 Value Index, NAZDAQ Composite, Bloomberg US Agg Bond, Bloomberg Long Term US Treasury, Basic Materials, Communication Services, Consumer Cyclical, Consumer Defensive, Energy, Financial Services, Healthcare, Industrials, Real Estate, Technology, and Utilities.

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