

# Weekly Market Recap

## The week in review

- S&P/Case-Shiller HPI decreased 1.3% m/m
- 3Q22 real GDP increased 2.6% q/q (SAAR)
- Real consumer spending increased 0.3% m/m

## The week ahead

- FOMC meeting
- Markit PMIs (final)
- Unemployment

## Thought of the week

With over half of the market reporting, our current estimate for 3Q22 S&P 500 operating earnings per share (EPS) is \$52.42. If realized, this would represent y/y growth of 0.8% and q/q growth of 11.9%. Estimates for third quarter earnings saw a notable decline last week, as disappointing results from the “big tech” names weighed on expectations. Profits were constrained by a number of headwinds, including a stronger U.S. dollar, weakening demand for hardware, a decline in ad revenue, higher operating costs and an increase in headcount. Moreover, many of the large tech companies continue to record losses on their newer business ventures, which has placed further pressure on the bottom line. Looking ahead, in anticipation of slowing demand, many management teams outlined plans to slow hiring and cut costs in an effort to protect profit margins.

In contrast to technology, results in consumer discretionary have been more resilient despite persistent inflation and depressed confidence. While auto inventories remain tight, auto companies are reporting record revenue due to higher prices, which has been key in boosting profits. Additionally, hotels and food have seen minimal demand destruction in the wake of higher prices, as the summer travel season, strong branding and the economic reopening buoy earnings.

While strong nominal GDP will likely keep revenues afloat, the key will be whether companies can adequately defend operating margins as economic activity slows in 2023. Following last week’s results, our estimate for 3Q22 S&P operating margins dipped to 12.0%, down from 12.4% a week prior and 13.3% from a year ago.

Please see important disclosures on next page.

## Weekly Data Center

Equities	Level	Index Returns (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
S&P 500	3901	3.97	8.90	-17.09	-13.80	34.82
Dow Jones 30	32862	5.72	14.52	-8.06	-6.14	29.18
Russell 2000	4590	6.02	11.01	-16.85	-18.56	21.95
Russell 1000 Growth	1495	3.01	6.82	-25.93	-23.52	40.75
Russell 1000 Value	915.54	5.04	10.81	-8.86	-6.65	24.06
MSCI EAFE	1749	4.14	5.31	-22.87	-23.28	-2.02
MSCI EM	845.58	-2.24	-3.39	-29.37	-31.55	-12.06
NASDAQ	11102	2.25	5.02	-28.59	-27.58	36.58

Fixed Income	Yield	Levels (%)				
		1 week	QTD	YTD	1 year	3-yr. Cum.
U.S. Aggregate	4.94	1.65	-0.88	-15.36	-15.29	-9.79
U.S. Corporates	5.87	1.97	-0.75	-19.33	-19.31	-10.93
Municipals (10yr)	3.95	-0.39	-0.57	-11.10	-10.24	-4.31
High Yield	9.03	2.44	3.03	-12.16	-11.41	1.06

Key Rates	Levels (%)					
	10/28/22	10/21/22	9/30/22	12/31/21	10/28/21	10/28/19
2-yr U.S. Treasuries	4.41	4.49	4.22	0.73	0.50	1.64
10-yr U.S. Treasuries	4.02	4.21	3.83	1.52	1.57	1.85
30-yr U.S. Treasuries	4.15	4.33	3.79	1.90	1.96	2.34
10-yr German Bund	2.09	2.44	2.13	-0.18	-0.12	-0.33
3-mo. LIBOR	4.44	4.36	3.75	0.21	0.13	1.94
3-mo. EURIBOR	1.64	1.54	1.17	-0.57	-0.56	-0.41
6-mo. CD rate	1.33	1.26	0.97	0.14	0.14	0.92
30-yr fixed mortgage	7.16	7.16	6.75	3.33	3.30	4.05
Prime Rate	6.25	6.25	6.25	3.25	3.25	5.00

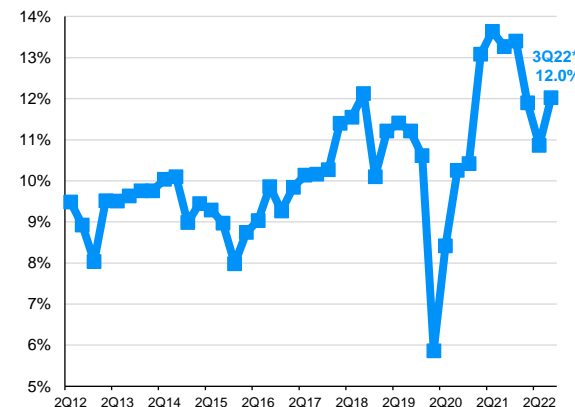
Index Characteristics			
NTM P/E	P/B	Div. Yld.	Mkt. Cap (bn)
16.79	3.88	1.64	32798
16.58	4.40	1.92	9605
18.74	1.99	1.27	2375
22.22	9.57	0.98	18023
13.63	2.34	2.19	18237
11.53	1.55	3.58	12885
10.38	1.48	3.63	5542
23.36	4.89	0.90	18083

Currencies	Levels		
	10/28/22	12/31/21	10/28/21
\$ per €	0.99	1.14	1.17
\$ per £	1.16	1.35	1.38
¥ per \$	147.51	115.16	113.39

Commod.	Levels		
	10/28/22	12/31/21	10/28/21
Oil (WTI)	87.90	75.33	82.78
Gasoline	3.77	3.28	3.38
Natural Gas	5.68	3.82	5.68
Gold	1648	1806	1804
Silver	19.23	23.09	24.08
Copper	7664	9692	9860
Corn	6.61	5.86	5.58
BBG Idx	241.81	211.80	222.74

## Chart of the Week

**S&P 500 profit margin**  
Operating earnings/sales



## Style Returns

	V	B	G
L	5.0	4.0	3.0
M	5.7	5.6	5.4
S	6.3	6.0	5.8
	V	B	G
L	-8.9	-17.1	-25.9
M	-12.5	-17.3	-25.8
S	-11.2	-16.9	-22.6

## S&P 500 Sector Returns

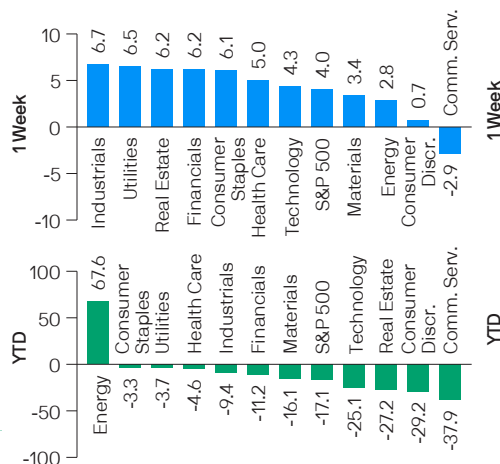




Chart of the Week: Source: Company filings, FactSet, Standard & Poor's, J.P. Morgan Asset Management. \*3Q22 estimate based on 67.4% of the S&P 500's market cap having reported earnings.

Thought of the week: Source: Company filings, FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Abbreviations: Cons. Sent.: University of Michigan Consumer Sentiment Index; CPI: Consumer Price Index; EIA: Energy Information Agency; FHFA HPI: - Federal Housing Finance Authority House Price Index; FOMC: Federal Open Market Committee; GDP: gross domestic product; HPI: Home Price Index; HMI: Housing Market Index; ISM Mfg. Index: Institute for Supply Management Manufacturing Index; PCE: Personal consumption expenditures; Philly Fed Survey: Philadelphia Fed Business Outlook Survey; PMI: Purchasing Managers' Manufacturing Index; PPI: Producer Price Index; SAAR: Seasonally Adjusted Annual Rate

Equity Price Levels and Returns: All returns represent total return for stated period. Index: S&P 500; provided by: Standard & Poor's. Index: Dow Jones Industrial 30 (The Dow Jones is a price-weighted index composing of 30 widely-traded blue chip stocks.); provided by: S&P Dow Jones Indices LLC. Index: Russell 2000; provided by: Russell Investments. Index: Russell 1000 Growth; provided by: Russell Investments. Index: Russell 1000 Value; provided by: Russell Investments. Index: MSCI - EAFE; provided by: MSCI - gross official pricing. Index: MSCI - EM; provided by: MSCI - gross official pricing. Index: Nasdaq Composite; provided by: NASDAQ OMX Group.

MSCI EAFE is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia, and the Far East.

Bond Returns: All returns represent total return. Index: Bloomberg US Aggregate; provided by: Bloomberg Capital. Index: Bloomberg Investment Grade Credit; provided by: Bloomberg Capital. Index: Bloomberg Municipal Bond 10 Yr; provided by: Bloomberg Capital. Index: Bloomberg Capital High Yield Index; provided by: Bloomberg Capital.

Key Interest Rates: 2 Year Treasury, FactSet; 10 Year Treasury, FactSet; 30 Year Treasury, FactSet; 10 Year German Bund, FactSet; 3 Month LIBOR, British Bankers' Association; 3 Month EURIBOR, European Banking Federation; 6 Month CD, Federal Reserve; 30 Year Mortgage, Mortgage Bankers Association (MBA); Prime Rate: Federal Reserve.

Commodities: Gold, FactSet; Crude Oil (WTI), FactSet; Gasoline, FactSet; Natural Gas, FactSet; Silver, FactSet; Copper, FactSet; Corn, FactSet. Bloomberg Commodity Index (BBG Idx), Bloomberg Finance L.P.

Currency: Dollar per Pound, FactSet; Dollar per Euro, FactSet; Yen per Dollar, FactSet.

S&P Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average using First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Standard & Poor's.

MSCI Index Characteristics: Dividend yield provided by FactSet Pricing database. Fwd. P/E is a bottom-up weighted harmonic average for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from MSCI and Price information from FactSet's Pricing database as provided by MSCI.

Russell 1000 Value Index, Russell 1000 Growth Index, and Russell 2000 Index Characteristics: Trailing P/E is provided directly by Russell. Fwd. P/E is a bottom-up weighted harmonic average using

First Call Mean estimates for the "Next 12 Months" (NTM) period. Market cap is a bottom-up weighted average based on share information from Compustat and price information from FactSet's Pricing database as provided by Russell.

Sector Returns: Sectors are based on the GICS methodology. Return data are calculated by FactSet using constituents and weights as provided by Standard & Poor's. Returns are cumulative total return for stated period, including reinvestment of dividends.

Style Returns: Style box returns based on Russell Indexes with the exception of the Large-Cap Blend box, which reflects the S&P 500 Index. All values are cumulative total return for stated period including the reinvestment of dividends. The Index used from L to R, top to bottom are: Russell 1000 Value Index (Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values), S&P 500 Index (Index represents the 500 Large Cap portion of the stock market, and is comprised of 500 stocks as selected by the S&P Index Committee), Russell 1000 Growth Index (Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values), Russell Mid Cap Value Index (Measures the performance of those Russell Mid Cap companies with lower price-to-book ratios and lower forecasted growth values), Russell Mid Cap Index (The Russell Midcap Index includes the smallest 800 securities in the Russell 1000), Russell Mid Cap Growth Index (Measures the performance of those Russell Mid Cap companies with higher price-to-book ratios and higher forecasted growth values), Russell 2000 Value Index (Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values), Russell 2000 Index (The Russell 2000 includes the smallest 2000 securities in the Russell 3000), Russell 2000 Growth Index (Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values).

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**Diversification does not guarantee investment returns and does not eliminate the risk of loss.**

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