

Economic Calendar

Monday, December 19
NAHB Home Builders Index.

Tuesday, December 20
Housing Starts/Building Permits.

Wednesday, December 21
Mortgage Activity, Existing Home Sales, Consumer Confidence.

Thursday, December 22
Jobless Claims, 3Q GDP Revision, Chicago Fed National Activity, Leading Economic Indicators.

Friday, December 23
PCE Prices, Personal Income/Spending, Durable Goods Orders, New Home Sales, Consumer Sentiment.

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[2%+ Daily Declines in 2022](#)

[Fed Dot Plot Points to 5.1% Peak](#)

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WEEKLY RECAP

December 12-16, 2022 Recap

Stocks Down Second Week

Recession Fears Resurface

U.S. stocks retraced gains a second straight week but ended Friday above deeper intra-day lows. Recession jitters stirred investor angst last week after the Fed raised rates by 0.50% as expected while signaling at least two more rate hikes in 2023 before taking a wait-and-see pause. Moreover, Fed Chairman Powell said no downward rate pivot should be expected until 2024. Overall, the Fed's hawkish forecasts heightened investors' growth concerns.

For the Week...

The S&P 500 slumped a further 2.05%, the Dow Jones Industrial Average fell 1.06% and the tech-heavy Nasdaq Composite lost 2.70%. Investment-grade bonds of all types rose with the Bloomberg U.S. Aggregate Bond Index up 0.80%, while long duration U.S. Government bonds rose 1.11%.

Retail Sales Drop

U.S. retail sales declined 0.6% to a seasonally adjusted \$689.4 billion in November (-0.3% expected) for its largest decline in eleven months. Retail sales are still up 6.5% from a year ago. Home furnishing sales fell 2.6% and building materials sales declined 2.5%, while bar and restaurant sales rose 0.9%.

Broad Sector Selling Continues

All 11 S&P 500 major sectors ended negative last week except Energy (+1.78%). Consumer Discretionary (-3.62%) and Technology (-2.65%) fell the most, while Utilities (-0.51%) fell the least. Energy extended its 2022 year-to-date gain to 57.73%.

Treasury Yields Fall

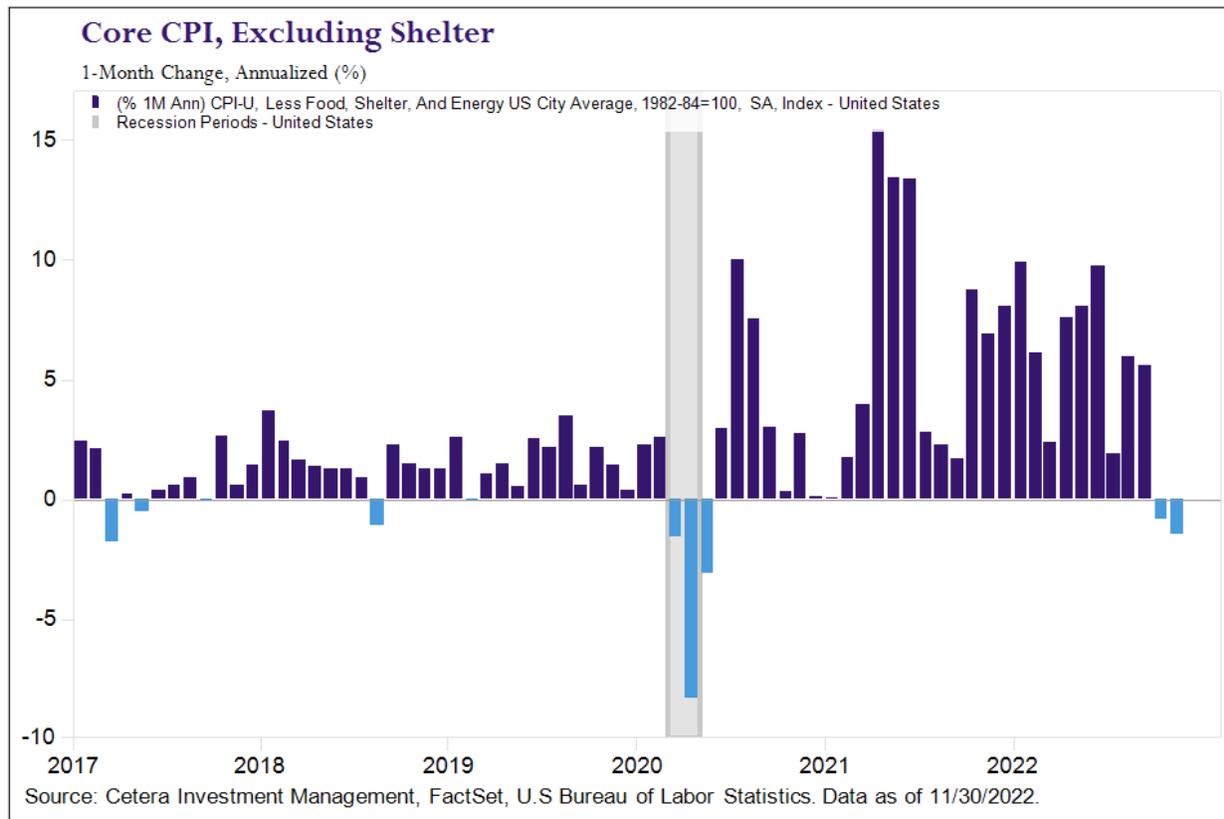
Despite the 0.50% Fed rate hike, the yield on 10-year U.S. Treasury notes declined 0.08% week-over-week to 3.480%. U.S. WTI crude oil futures ended Friday at \$74.29/barrel, up \$3.27 for the week.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-1.66	-4.83	6.81	-9.41	-8.30	5.25
S&P 500	-2.05	-5.50	-0.10	-17.88	-16.14	8.22
NASDAQ Composite	-2.70	-6.61	-6.27	-31.02	-28.91	7.54
Russell 3000	-1.99	-5.60	-0.53	-18.98	-17.01	7.62
Russell 2000	-1.81	-6.45	-1.53	-20.40	-16.93	3.53
MSCI EAFE	-2.13	-0.34	8.81	-14.81	-13.46	0.82
MSCI Emerging Markets	-2.10	-1.46	1.79	-20.14	-19.50	-1.85
Bonds	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg US Agg Bonds	0.80	1.70	1.43	-11.13	-11.19	-1.97
Bloomberg Municipal Bonds	0.24	1.07	2.51	-7.81	-7.74	-0.51
Bloomberg US Corp High Yield	0.03	0.75	2.35	-9.96	-9.35	0.74
Commodities	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Bloomberg Commodity	0.96	-2.69	-2.51	15.80	18.36	12.90
S&P GSCI Crude Oil	4.68	-7.56	-12.15	-1.00	3.20	7.38
S&P GSCI Gold	-0.58	2.29	6.93	-1.55	0.11	6.73

Source: Morningstar

Chart of the Week: Inflation Slowdown is Here



Core CPI inflation excluding shelter declined in October and November. This is the clearest sign of slowing inflation and likely a factor in the Fed's decision to slow the pace of rate hikes. Asking rents are already falling and home prices are easing. These factors will lead toward slowing shelter inflation in the headline CPI but there is a lag.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on Twitter.

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Glossary

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The **Bloomberg US Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 8.25 years.

The **Bloomberg US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Bloomberg US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity.

The **MSCI EAFE Index** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets Index** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Bloomberg Commodity Index** is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index.

The **S&P GSCI Crude Oil Index** is a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the crude oil market.

The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold futures market.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000.