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INCISIVE INVESTOR

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WEEK IN REVIEW

STOCKS END WITH SHARP GAINS

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U.S. stocks ended with sharp gains Friday, with the technology-laden Nasdaq Composite leading the way up, as investors weighed signs of easing inflation and improving consumer sentiment. The S&P 500 and Nasdaq each scored a fourth straight week of gains, their longest win streaks since November 2021.

The Dow Jones Industrial Average DJIA gained 424.38 points, or 1.3%, to close at 33,761.05. The S&P 500 SPX rose 72.88 points, or 1.7%, to finish at 4,280.15. The Nasdaq Composite COMP jumped 267.27 points, or 2.1%, to end at 13,047.19.



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Despite recession signs, stocks rise

Global equities have staged a comeback despite slowing global growth and recession fears in Europe and the United States. With US technology stocks leading the charge, the MSCI All Country World Index is up nearly 10% since midyear. Meanwhile, the US yield curve inversion has deepened, as the OECD's leading economic indicators predict slower growth across member countries. A yield curve inversion occurs when shorter-term rates exceed longer-term ones. Often, but not always, it precedes recessions.

July's inflation rate slowed but remains dangerously high

On a year-over-year basis, the US Consumer Price Index increased by 8.5% in July (lower than expectations of 8.7%). Lower energy prices contributed to the decrease, while food and shelter prices remained high. As a result of lower inflation, investors were less concerned that the US Federal Reserve would need to hike rates more aggressively as a way to mitigate runaway inflation. Risk assets rose on the news, but an inflation rate of 8.5% remains higher than the Fed's target of 2%. Tightening is expected

through the end of the year.

Improved outlook boosts consumer sentiment

As energy prices eased, US consumer sentiment rose to a three-month high. A sentiment index published by the University of Michigan rose from 51.5 to 55.1, exceeding most economists' predictions. There was a decline in consumer inflation expectations for the year ahead, and the overall outlook improved. As consumer spending accounts for nearly 70% of US nominal GDP, the importance of a strong consumer cannot be overstated.

Biden will sign the Inflation Reduction Act

The \$700 billion Inflation Reduction Act will be signed by US President Joe Biden on Friday, a victory for Democrats ahead of the midterm elections. Investing in green energy, reducing health care costs, and increasing the size of the IRS are all part of the government's spending program. Late in the negotiations, policymakers added a 1% excise tax on buybacks and a 15% minimum tax on large corporations. While middle- and lower-income Americans would not benefit from the bill, Republicans criticized it as unnecessary during a period of high inflation.



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Crypto regulations tightening

After the cryptocurrency market fell by more than half in the first two quarters, the SEC is considering new reporting rules for hedge funds that would require greater disclosure of exposure. Due to the collapse of hedge fund Three Arrows Capital this summer, there was an increase in the call for more robust cryptocurrency regulations. Closing the fund triggered a chain reaction across the industry, resulting in frozen customer funds and platform closures. Tornado Cash has been sanctioned by the US Department of Treasury.

HEADLINERS

Former President Trump's Mar-a-Lago home was searched by FBI agents, reportedly in connection with an investigation into his handling of classified material. Attorney General Merrick Garland defended the search, noting that he had personally approved it. Republicans called the search a political move.

Despite a decline of 11.3% in June, the US Producer Price Index rose 9.8% in July.

According to Prequin, venture capital firms have \$539 billion in dry powder.

As of today, the Philadelphia Semiconductor Index is down around 22% for the year.

Video game companies that benefitted from lockdowns reported disappointing earnings as pandemic restrictions were lifted.

EARNINGS NEWS

According to data from FactSet Research, with about 90% of the S&P 500 Index constituents reporting for Q2 2022, blended earnings per share (which is a combination of reported data and estimates for those that have not yet reported) is growing at 6.7%, with the energy sector showing the highest growth rate at 299%. Excluding energy, earnings are on track to decline by 3.7%.

MAJOR STOCK MOVES

Rivian Automotive Inc. RIVN said it lost \$1.7 billion, or \$1.89 a share, in the second quarter, compared with a loss of \$580 million, or \$5.74 a share, in the year-ago period. Shares of Rivian edged down 0.1%.

PetroChina 601857, China Life Insurance 601628, Sinopec 600688, China Petroleum & Chemical Corp 600028, and Aluminum Corp. of China 601600 were among the companies to have separately announced their intention to delist from the New York Stock Exchange, a unit of the Intercontinental Exchange. Shares of PetroChina, ChinaLife, China Petroleum, Aluminum Corp. of China, and Sinopec all fell.

AMC Entertainment Holdings Inc. AMC, Bed Bath & Beyond Inc. BBBY, and GameStop Corp. GME were mixed Friday amid a meme stocks rally. AMC shares fell 4%, Bed Bath & Beyond soared 21.8% and GameStop gained 3.3%.

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CONQUERING RETIREMENT CHALLENGES FOR WOMEN

Looking ahead can help you conquer [these unique obstacles](#).

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Park 10 Financial has the knowledge and expertise to answer all of your concerns.

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