INCISIVE INVESTOR

PARK 10 FINANCIAL, LLC

Randall Fielder, President & CEO
1400 Broadfield Blvd., Suite 200
Houston, TX 77084
713-955-3555

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WEEK IN REVIEW

STRONG JOBS DATA RATTLES INVESTORS

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U.S. stocks finished sharply lower Friday, but still booked their best weekly gains in a month after September jobs data showed an unexpected fall in the unemployment rate that's anticipated to reinforce the Federal Reserve's resolve to keep tightening monetary policy.

Investors also weighed a profit warning at a leading microchip maker ahead of next week's increase in quarterly earnings results.

The Dow Jones Industrial Average DJIA fell 630.15 points, or 2.1%, ending at 29,296.79, but off the session low of 29,142.66. The S&P 500 SPX dropped 104.86 points, or 2.8%, closing at 3,639.66. The Nasdaq Composite COMP shed 420.91 points, or 3.8%, to finish at 10,652.40.

Stocks posted back-to-back losses, trimming weekly gains, but recorded their best weekly gains since September 9th, according to Dow Jones Market Data.

info@park10financial.com www.park10financial.com

MACRO NEWS

September: Payrolls decelerated modestly; unemployment rate dropped

There were 263,000 new jobs added in September, down from 315,000 in August, as the unemployment rate dropped back down to 3.5% from 3.7% in August. Year over year, average hourly earnings increased by 5%. As reported earlier this week by the Bureau of Labor Statistics, US job openings declined by 1.1 million in August, while weekly jobless claims increased to 219,000 from 190,000, which market participants hoped had hinted at a cooling labor market. In the Fed's view, the labor market and wages remain too strong, so nothing in this week's data changes the tightening cycle's trajectory.

Fed pledges hold stance

The Fed reiterated its position this week that rates will need to rise and remain high for some time in order to quell inflation. Though energy prices have moderated in recent months, concerns about inflationary pressures in core CPI warrant a hawkish stance.

Slowdown warned by WTO

Global trade is expected to grow by just 1% in 2023, while economic growth is expected to slow to 2.3%, according to the World Trade Organization. The cost of transporting goods has dropped due to improved supply chain disruptions, but the trend toward deglobalization, sharp interest rate increases, and geopolitical tensions continue to pose significant threats. A rolling COVID-related lockdown in China has also hampered economic activity in the world's second-largest economy. As demand from the US and Europe weakens, purchasing manager surveys have already shown slowing activity, particularly in export-oriented countries like South Korea.

OPEC+ to cut production

An expected slowdown in global demand due to weakening economies led OPEC+ to cut oil production targets by 2 million barrels a day on Wednesday. As a result, the Biden administration ordered the release of 10 million more barrels from the US Strategic Petroleum Reserve, which can hold 714 million barrels, but currently holds about 416 million barrels after the release of over 200 million barrels in 2022. Democratic members of Congress have introduced legislation mandating the withdrawal of US troops from Saudi Arabia and the UAE as a result of the OPEC+ decision, while the White House said nothing is off the table, including a ban on US oil exports. In the meantime, Congress is moving towards passing the NOPEC (No Oil Producing and Exporting Cartels) bill, which would restrict sovereign immunity from lawsuits for nations in OPEC+ and their oil companies.

HEADLINERS

During Q3 earnings season, FactSet reports that the bottoms-up estimate for S&P 500 earnings per share has declined to $55.51 from $59.44, a decline of 6.6%. Although estimates typically decline as the quarter progresses, this cut is larger than usual. It is now expected that earnings will increase 2.9%, down from 9.8%.

Global bond outflows reached $175.5 billion during the first three quarters of 2022, the largest in two decades, according to Refinitiv Lipper. Emerging market debt was among the hardest hit categories, with outflows of $80 billion. The Bloomberg Global Aggregate Bond Index has declined more than 20% through the third quarter as a result of rate increases and spread widening.

President Joe Biden warned Thursday that nuclear "Armageddon" risks are at their highest since the 1962 Cuban Missile Crisis after Russia's foreign ministry said Moscow is "fully committed" to avoiding nuclear war.

The International Monetary Fund warned that illiquid assets held by open-ended funds could threaten financial stability.

MAJOR STOCK MOVES

Twitter Inc. TWTR shares fell 0.4% Friday after a judge delayed a looming trial between the company and Elon Musk to allow the Tesla Inc. TSLA CEO more time to close his $44 billion acquisition of the social media platform.

Besides the jobs report, investors weighed a profit warning from microchip maker Advanced Micro Devices Inc. AMD, which said the PC market weakened significantly during the quarter. AMD shares fell 13.9%, and rivals including Nvidia Corp. NVDA and Intel Corp. INTC also closed lower.

U.S. cannabis stocks were choppy Friday, with the AdvisorShares Pure US Cannabis ETF MSOS ending lower, following steep gains earlier in the week after President Joe Biden said the U.S. would consider de-scheduling cannabis from its current position as a Schedule 1 narcotic under federal law.

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Randall Fielder
(713-955-3555, randall@park10financial.com)

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

Email: info@park10financial.com