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INCISIVE INVESTOR

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WEEK IN REVIEW MARKETS DOWN DESPITE STRONG JOBS REPORT

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U.S. stocks closed sharply higher Friday, reclaiming positive territory in a volatile trading session but still finishing down for the week, as investors weighed the

jobs report for October. The technology-heavy Nasdaq Composite suffered its largest percentage weekly drop since January, according to Dow Jones Market Data.

The Dow Jones Industrial Average DJIA climbed 401.97 points, or 1.3%, to close at 32,403.22. The S&P 500 SPX gained 50.66 points, or 1.4% to finish at 3,770.55. The Nasdaq Composite rose 132.31 points, or 1.3%, to end at 10,475.25.

For the week, the Dow slipped 1.4%, the S&P 500 fell 3.3% and the Nasdaq dropped 5.6%, according to Dow Jones Market Data.



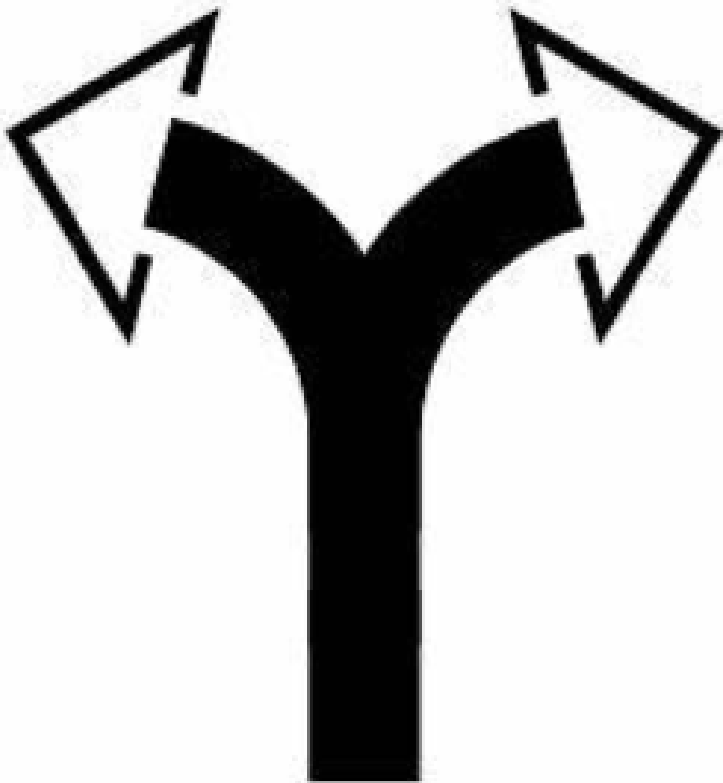
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Fed diverging from peers



Following several aggressive rate hikes throughout the year, markets began to sense that central banks were shifting into a lower gear a week ago. Except for one notable and huge exception, that has proven true: The US Federal Reserve. Although the Reserve Bank of Australia, the Bank of Canada, and the Bank of England have begun tightening in smaller increments (or, as the BOE has indicated, it is likely to do so), the Fed warned that the terminal rate is likely to be higher than what

the Fed last published in September, even if it rises in smaller chunks after the next few meetings. In his Wednesday press conference, Chair Jerome Powell also stressed that talks about a pause in the hiking cycle were "very premature." The risks of not tightening enough (and letting inflation become entrenched) are far greater than the risks of tightening too much, Powell noted.

A common characteristic of the countries slowing down interest rate hikes is that they are heavily exposed to the housing market via variable rate-mortgages. With its high adoption of fixed-rate mortgages, the American economy is less sensitive to mortgage rate increases. Despite difficult times in the housing sector, spillovers to the broader economy are less severe in the US.

Resilient labor market in the USA

261,000 rise in US nonfarm payrolls in October exceeded the consensus estimate of 200,000, however, it was a modest improvement from September's upwardly revised 315,000 increase. Labor force participation declined by 0.1% to 62.2% and the unemployment rate rose to 3.7% from 3.5%. There is no indication that the report would undermine Chair Powell's hawkish message that the labor market remains "out of balance" given the robust increase in payrolls and the firmer-than-expected increase in average hourly earnings (+0.4%).

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HEADLINERS

As part of his threat to impose a windfall profits tax if the oil companies do not increase domestic production, President Biden this week called US oil companies "war profiteers." The proposal is unlikely to receive congressional approval even if Democrats retain control of both houses of Congress in next week's midterm elections.

US job openings jumped from 10.3 million to 10.7 million unexpectedly, indicating tight labor market conditions, which contributes to Fed rate hikes.

The J.P. Morgan Global Purchasing Managers' Index fell to 49.4 in October from 49.8 in September, its lowest level since the early days of the pandemic. There was a decline in production in 21 of the 31 countries covered.

The US Treasury has not decided whether to conduct bond buybacks to increase liquidity in government bond markets.

US audit officials completed their first round of on-site inspections of Chinese companies ahead of schedule, according to Bloomberg News.

Inverted by nearly 60 basis points, the 2s-10s US Treasury curve is at its most inverted since the early 1980s. Inverted yield curves have historically been an indication of recession.

EARNINGS NEWS

Based on data from FactSet Research, with about 85% of S&P 500 Index constituents

reporting for Q3 2022, blended earnings per share (which combined reported data with estimates for those yet to report) indicates 2.2% earnings growth while sales rose 10.5% compared to the same quarter a year ago. After excluding the energy sector's contribution to earnings growth, EPS declined by about 5%.

MAJOR STOCK MOVES

PayPal Holdings Inc. PYPL shares fell 1.8% after the digital payments group cut its revenue forecast late Thursday.

Starbucks Corp. SBUX shares climbed 8.5% after the coffee giant posted forecast-beating results and said same-store sales will be "near the high end" of financial targets.

Cardinal Health Inc. CAH shares jumped 5.1% after the drug and laboratory products distributor reported big beats on profit and revenue and affirmed its outlook.

DraftKings Inc. DKNK shares tumbled 27.8% after the company posted a third-quarter net loss of \$450.5 million, or \$1 a share.

A jump in copper HG00 and gold prices helped shares of Freeport-McMoRan Inc. FCX to become the top performer on the S&P 500 Friday with a gain of 11.5%.



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What If You Get Audited?



Do you have questions about your finances, the market, or the economy?

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

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