



INCISIVE INVESTOR

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

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WEEK IN REVIEW

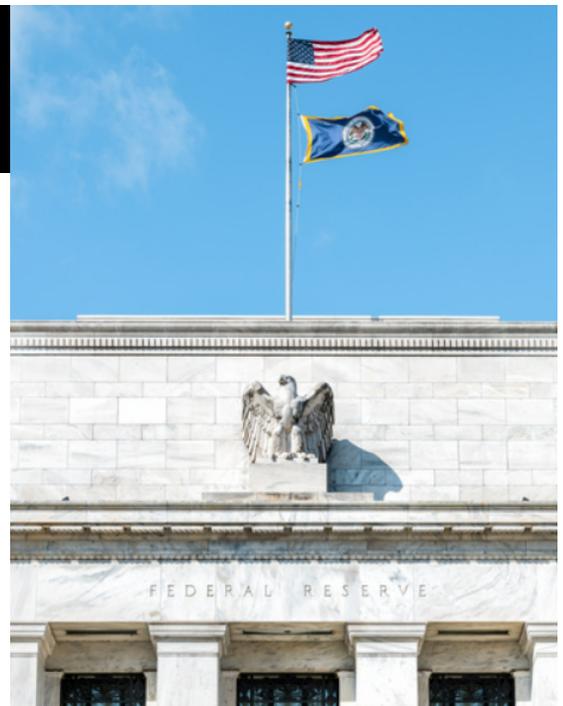
STOCKS END LOWER AFTER JOBS DATA



All three major U.S. stock benchmarks closed lower Friday, each booking another week of losses, as investors weighed April jobs data amid heightened stagflation fears. The S&P 500 fell for a fifth straight week, its longest losing streak since June 2011, according to Dow Jones Market Data.

The Dow Jones Industrial Average DJIA fell 98.60 points, or 0.3%, to close at 32,899.37. The S&P 500 SPX dropped 23.53 points, or 0.6%, to finish at 4,123.34. The Nasdaq Composite COMP lost 173.03 points, or 1.4%, to end at 12,144.66.

For the week, the Dow and S&P 500 each slipped 0.2% while the technology-heavy Nasdaq Composite fell 1.5%. Both the Nasdaq and S&P 500 fell for a fifth straight week, while the Dow dropped for a sixth consecutive week, according to Dow Jones Market Data.



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Fed tightens pace

On Wednesday, the US Federal Reserve raised its federal funds target rate 50 basis points to between 0.75% and 1%, marking the first half-point increase since 2000. Moreover, this was the first time that the Fed raised interest rates at consecutive meetings in two decades. Markets were temporarily comforted by the news that policymakers aren't actively considering larger hikes in an effort to bring rates quickly toward neutral. On the other hand, Jerome Powell took the unusual step of suggesting that the FOMC will hike rates another 50 basis points at both the June and July meetings. Despite expectations of a soft landing, Powell was surprisingly optimistic and less insistent than others on raising rates above neutral, a level he put at between 2% and 3%.

The Fed also announced its plan to reduce its balance sheet by an initial \$47.5 billion per month (\$30 billion in Treasuries and \$17.5 billion in mortgage-backed securities) starting June 1st, with a \$95 billion-per-month cap in September (\$60 billion in Treasuries, \$35 billion in MBS). Over the next year, the Fed Chair estimates the balance sheet reduction will translate into about 0.25% of tightening.



US labor market stable in April

Employers added 428,000 jobs in April, marking the 12th straight month of gains, while the unemployment rate held steady at 3.6%. The average hourly wage increased by 0.3% in April after rising 0.5% in March. The monthly unemployment report is usually one of the most closely watched economic indicators, but these days it is taking a back seat to the Consumer Price Index, which will be released on Wednesday.



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HEADLINERS

In the first quarter of 2022, US productivity declined 7.5% from the fourth quarter of 2021. This is the largest decline since 1947. Productivity drops have driven unit labor costs up 11.6% since the previous quarter, while hourly compensation is up 3.2%. Since the onset of the pandemic, productivity swings have been even more volatile than usual.

In April, US crude oil exports to the European Union reached nearly 50 million barrels, the highest level since 2016.

CNBC surveyed fund managers, economists, and strategists and found that 57% do not think the Fed can engineer a soft landing.

Despite continued strong demand for goods, the US trade deficit widened to a record \$109.8 billion in March.

The year-to-date (through April) total return for the 10-year Treasury note (or its proxies) was the worst since 1788, according to Deutsche Bank.

The US Department of Labor's JOLTS survey showed a record number of job openings at 11.5 million and a record number of quits at 4.5 million in March. Data indicates that workers remain confident that they can find higher-paying jobs.

EARNINGS REPORT

Based on FactSet Research data, 87% of the constituents of the S&P 500 Index have reported for Q1 2022, and blended earnings per share (which combines reported data

with estimates for those that have not yet reported) show earnings are up 8.6%, while sales are up about 13.4% compared with the same quarter last year. Energy is the only sector exceeding analysts' earnings estimates.

MAJOR STOCK MOVES

Shares of Zillow Group Inc. Z fell around 4.4% after the company blew past revenue forecasts but delivered a disappointing forecast late Thursday that reflected uncertainty facing the real-estate sector.

Shares of Cloudflare Inc. NET plummeted 15.7% after the cybersecurity company's quarterly results slightly beat Wall Street expectations, but its bottom-line forecast for the current quarter indicated a possible miss in its next report.

DoorDash Inc. DASH shares declined 1.4% after the delivery-platform company topped revenue forecasts but posted a larger-than-expected drop.

Shares of World Wrestling Entertainment Inc. WWE fell 1.5% after reporting earnings and revenue that beat expectations.

Block Inc. SQ fell short on earnings and revenues but gave upbeat signals about its Cash App business. Shares closed up 0.7%.



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



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Email: info@park10financial.com