

## MARKET WATCH UPDATE

Market Index	Close	Week	Y-T-D
DJIA	32,845.13	+2.97%	-9.61%
NASDAQ	12,390.69	+4.70%	-20.80%
MSCI-EAFE	1,915.34	+0.95%	-18.01%
S&P 500	4,130.29	+4.26%	-13.34%



### TODAY'S TOPICS

- Market Update
- Behavioral Finance Topic-of-the-Week
- Key Market Levels
- What we are Watching

### OVERVIEW

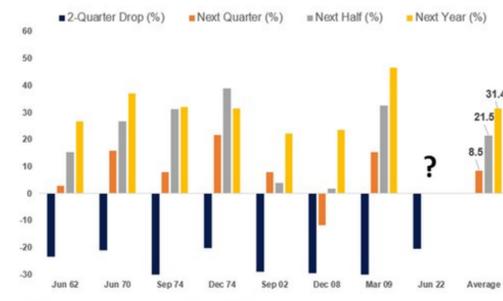
Equities climbed to close out the month of July in what amounted to a jam-packed week of earnings and economic releases along with a FOMC meeting announcement. As expected, the **Fed raised short-term interest rates by 75 basis points** (0.75%) to take the fed funds rate to 2.5% (upper bound).

During the press conference, which took place immediately after the conclusion of the FOMC meeting, however, Chairman Jerome Powell seemingly indicated a willingness to slow the pace of rate hikes. Powell acknowledged that the economy is slowing and that the full effect of the rate hikes had not yet been felt. He also described 75 basis point hikes as "unusually large", which helped take market expectations for future rate hikes down.

The market now expects a peak fed funds rate around 3.3%, down from a nearly 4% rate that was priced in last month.

**Real GDP in Q2 fell an annualized -0.9%** from last quarter as **real consumer spending rose 1%**, driven by strong services spending. Although the economy shrank for two consecutive quarters, we are not in a recession because consumers, the largest portion of the economy, was stable the first half of this year.

#### Stocks Have Historically Bounced Back Strongly After Big 2-Quarter Drops



Source: LPL Research, Bespoke Investment Group 07/01/22 (1946 - current)  
All indexes are unmanaged and cannot be invested into directly. Past performance is no guarantee of future results.  
The modern design of the S&P 500 Index was first launched in 1957. Performance before then incorporates the performance of its predecessor index, the S&P 90.

Don't forget these stats compiled by LPL Financial: When the S&P 500 has dropped more than 20% over two quarters, as it did in the first half this year, it has **gained back over 21% on average in the next half-year** and over 31% on average a full year out. It is also notable that the average one-year gain off of midterm election lows (which may have been set in June) has been over 30% historically.

## WHAT WE ARE WATCHING



The following economic data is slated to be released during the week ahead:

**Monday:** ISM Manufacturing (July), Markit PMI Manufacturing (July), Construction Spending (June), BEA Automobile sales (July)

**Tuesday:** JOLTS Job Openings (June)

**Wednesday:** Durable and Factory orders (June), ISM Services (July), Markit PMI Services (July), PMI composite (July)

**Thursday:** Weekly Initial and Continuing Unemployment Claims, Trade Balance (June)

**Friday:** Consumer Credit (June), July Unemployment report.

## BEHAVIORAL TOPIC OF THE WEEK

*"Behavioral finance rests on a simple premise: The biggest risks in investing are embedded in ourselves as decision makers. Biology encourages our brains to take cognitive shortcuts that can cause big problems."* -Peter M.J. Gross

**There are six emotional biases:**

1. Loss aversion.
2. Overconfidence.
3. Self-control.
4. **Status quo.**
5. Endowment.
6. Regret aversion.

#### Status quo bias

Status quo bias is an emotional bias in which people prefer to keep things as they are rather than make a change, even when it is necessary. In other words, they maintain the status quo.

**Effect of Status Quo Bias:**

- Investors may fail to investigate other investing opportunities.
- Investors may unknowingly retain portfolios that do not only have risky features but are also inappropriate for their circumstances.

**How to Detect and Overcome Status Quo Bias**

- Investors should embrace portfolio diversification and proper allocation of assets. Investors must consider investment risk reduction and return enhancement.

(Source: CFA Institute, AnalystPrep)

## MARKET SUPPORT



The key level of support to watch for the S&P 500 is at around the 3,666 level.

The key level of resistance to watch for the S&P 500 is at around 4,000 to 4,160

Recall these are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

Upcoming Events

Visit the JFG YouTube Channel

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