



# INCISIVE INVESTOR

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## WEEK IN REVIEW WEEKLY LOSSES AFTER STRONG MAY JOBS REPORT



2.5%, finishing at 12,012.73. The tech-heavy index, which fell into a bear market earlier this year, suffered a 1% weekly decline.

U.S. stocks fell sharply Friday, leaving major indexes with weekly losses after better-than-expected May payrolls data reinforced expectations for a series of interest-rate rises by the Federal Reserve in coming months.

The technology sector led the way south as Treasury yields rose and a report that Tesla Inc. may be considering job cuts amid CEO Elon Musk's misgivings about the economic outlook.

The Dow Jones Industrial Average DJIA fell 348.58 points, or 1%, to end at 32,899.70, dragging the blue-chip gauge to a 0.9% weekly fall. The S&P 500 SPX dropped 68.28 points, or 1.6%, to close at 4,108.54, leaving it with a 1.2% weekly loss. The Nasdaq Composite COMP shed 304.16 points, or



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## Strong US payrolls



In May, nonfarm payrolls increased by 390,000 while the unemployment rate remained at 3.6%. Average hourly earnings rose by 0.3%. Based on these numbers, the Fed will likely hike rates 50 basis points at the next two meetings. The data implies that the economy is doing quite well, contrary to recent headline-grabbing comments from several high-profile chief executive officers suggesting a recession is imminent.

## Biden emphasizes inflation

In the five months remaining before the US congressional elections, President Joe Biden recently shifted the focus of the White House towards the number-one concern of most Americans: inflation. According to a Wall Street Journal op-ed published early this week, Biden first pledged to preserve the independence of the Federal Reserve, enabling the US central bank to lead the

fight against inflation. He also said he would request that Congress pass tax credits for clean energy and government investments to lower the cost of prescription drugs and childcare, as well as increasing housing supply to make everyday goods more affordable. In addition, Biden said he would reform the tax code to help cut the federal budget deficit. In addition to reiterating that rapid job gains made during the early phase of recovery from the pandemic may not be repeated, the president predicted that monthly job gains will slow to about 150,000, compared to the average of about a half-million seen in recent months. In Biden's plan, many of the proposals replicated those in the earlier Build Back Better bill, which did not receive majority support from his party in the Senate.

## Manufacturing steady as supply chains untangle

There were contractions in just five out of 50 countries that compile purchasing managers' index surveys in May, demonstrating the manufacturing sector's resilience. A rise in new orders led to the Institute for Supply Management's manufacturing index rising to 56.1 from 55.4. The prices paid remained high, but the employment subindex dropped below 50. ISM's nonmanufacturing index fell to 55.9 in May from 57.1 in April, indicating a little cooling in the service sector.



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## Fed Vice-Chair: Too early for inflation to peak

Fed Vice Chair Lael Brainard said on Thursday that it is too early to conclude that inflation has peaked after a small decline in the Consumer Price Index in April. In the vice chair's view, if demand does not slow, it might be appropriate for the Fed to keep hiking half a point at its two next meetings. The Fed's chair ruled out a pause in tightening in September, saying "we have a lot of work to do to bring inflation to our 2% target." Brainard added that this week, the Fed began allowing bonds held on its balance sheet to mature, a move which will tighten policy by about 50 to 75 basis points over time.

## HEADLINERS

OPEC agreed to increase oil production by about 650,000 barrels a day in the coming months to curb the rise in crude prices. While on a tour of the Middle East later this month, President Biden will visit Saudi Arabia, where he will meet with Crown Prince Mohammed bin Salman, of whom he has previously been critical, to pave the way for future increases in oil output.

Janet Yellen, US Secretary of the Treasury, admitted that her inflation outlook was wrong last year and that she was not fully aware of how hard supply shocks would hit the economy.

In its Beige Book, the Fed reported that most districts have grown slightly or modestly. Higher prices and mortgage rates have restrained demand for residential real

estate. Consumer spending has softened amid higher prices and residential real estate prices have increased. Several hiring freezes were disclosed while wage growth expectations kept dampening.

## MAJOR STOCK MOVES

Coinbase Global Inc. COIN shares fell 9.7% after the crypto exchange announced an indefinite hiring freeze, a day after the billionaire Winklevoss twins announced cuts at their crypto firm, Gemini.

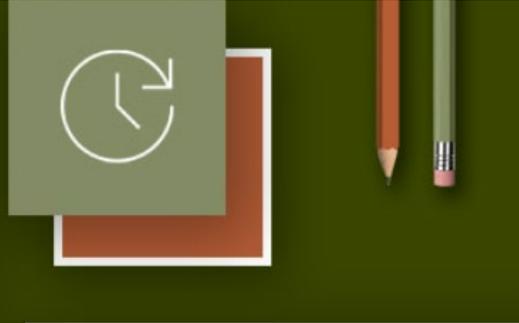
CrowdStrike Holdings Inc. CRWD shares lost 6.8% even after the security-software company reported earnings, sales, and a forecast that beat expectations and boosted annual guidance.

Shares of Lululemon Athletica Inc. LULU lowered 0.6%, despite the company reporting sales that were better than Wall Street expected, with direct-to-consumer sales getting to be a slightly bigger chunk of the retailer's revenue.

American Airlines Group Inc. AAL stock fell 7.1%, after the airline raised its revenue growth, cut capacity guidance, and raised its fuel-cost estimate.

Shares of Turning Point Therapeutics Inc. TPTX rose 118.4%, after the clinical-stage oncology company agreed to be acquired by biopharmaceutical company Bristol-Myers Squibb Co. BMJ in an all-cash deal valuing Turning Point at about \$3.77 billion. Bristol Myers shares edged up 0.1%.

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Questions That  
Have Nothing to  
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