

## MARKET WATCH UPDATE



## WEEKLY & YTD RETURNS

US Equity Indexes - Returns (Thru 06/10/22) and Index Differences

Market Index	Close	Week	Y-T-D
DJIA	31,392.79	-4.58%	-13.61%
NASDAQ	11,340.02	-5.60%	-27.52%
MSCI-EAFE	1,992.38	-1.81%	-14.71%
S&P 500	3,900.86	-5.05%	-18.16%

### TODAY'S TOPICS

- Market Update Overview
- Oil and Gas "Crack Spread"
- Key Market Levels
- This Week / What We Are Watching: **Fed June Meeting Announcement on Wednesday (6/15/22)**

### OVERVIEW

Financial markets are under continued selling pressure after Friday's CPI report showed inflation climbed 8.6% in May, a new **40 year high and above economists' expectations for an 8.3% climb**. Investors continue to worry about a potential recession as the Federal Reserve's fight against inflation gets more difficult while several company CEOs have highlighted the challenging inflationary environment.

**Market direction this week will be almost entirely dictated around the Fed's June meeting announcement on Wednesday, June 15<sup>th</sup>.** After Friday's blow-off inflation reading, financial markets are now bracing for the Fed to turn extremely hawkish after its meeting Wednesday. Traders are now pricing in 175 basis points of tightening by September, implying two half-point and one 75 basis points hike.

If that comes to pass, it would be the first time since 1994 the Fed resorted to such an aggressive pace. FOMC officials will also update their projections for economic growth, the unemployment rate, inflation, and future interest rates on Wednesday. That will give economists and investors greater insight into the committee's possible next moves.

Lastly **regarding Social Security recipients**, the Senior Citizens League on Friday said high inflation readings are pointing to a potential 8.6% cost-of-living adjustment increase for 2023. That would top a 5.9% boost to benefits that went into effect for 2022, the highest in about 40 years. While the announcement is great news for current recipients, it obviously moves forward the **Social Security insolvency timeline. Current estimates point to a depletion date of around 2035.**

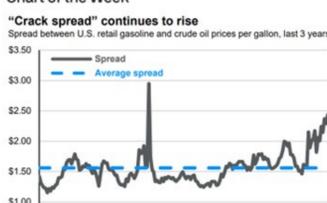
## OIL & GAS "CRACK SPREAD"



While inflation components continue to rise across all segments, energy remains the biggest point of pain. Supply constraints and bans on Russian oil have pushed energy prices higher, with crude oil prices rising above \$120/barrel last week.

Given the backdrop of persistently high energy prices, it is no surprise that Energy is the only S&P 500 sector with positive year-to-date returns. This outperformance can largely be attributed to the sector's ability to preserve profit margins.

This week's chart from our friends at JPMorgan shows the **"crack spread," which is the difference between the purchase price of crude oil and the selling price of gasoline**. Put differently, it is a proxy for tracking the short-term profit margins of refinery companies. Valero Energy and Phillips 66, for example, both said that their refining margins in the first quarter were more than double those of a year earlier.



## MARKET LEVELS

- The key level of support to watch for the S&P 500 is at around the 3,730 level.
- The key level of resistance to watch for the S&P 500 is at 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.



## WHAT WE ARE WATCHING



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

- **Tuesday:** Producer Price Index (May), NFIB Small Business Index (May)
- **Wednesday: Federal Open Market Committee Meeting (June),** Retail Sales (May), NAHB Housing Market Index (June), Business Inventories (April), Export/Import Prices (May)
- **Thursday:** Weekly Initial and Continuing Unemployment Claims, Building Permits (May), Housing Starts (May)
- **Friday:** Capacity Utilization (May), Industrial Production (May), Manufacturing Production (May), Leading Indicators (May)

## 2022 CHECK-IN

Summer's here, and the time is right for vacations, outdoor activities, and fun. It's also a good time to consider a few financial matters. Here are some questions to ask yourself mid-year.

- **Goals still the same for 2022?** Has market volatility affected your goals? Note any changes since the first of the year that may warrant reviewing your goals.
- **Contributions on track?** Consider increasing your contributions to any personal or workplace-sponsored savings plans if it suits your goals.
- **Scheduled spending still make sense?** Look at any impacts you've felt due to market volatility. Do your plans for the rest of the year align with reality?

If these tips have you thinking, please feel free to reach out.

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