



INCISIVE INVESTOR

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WEEK IN REVIEW STOCKS END MIXED

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U.S. stocks ended mostly lower Friday on signs that the U.S. labor market remained robust in November despite the Federal Reserve's interest-rate hikes.

Data released by the Labor Department showed the U.S. economy added more jobs than economists had expected, bolstering the perception that the Fed still has a long way to go before its rate hikes produce their intended effect of cooling the labor market, and inflation with it.

The Dow Jones Industrial Average DJIA rose 34.87 points, or 0.1%, to close at 34,429.88. The S&P 500 SPX slipped 4.87 points, or 0.1%, to finish at 4,071.70. The Nasdaq Composite COMP dropped 20.95 points, or 0.2%, to end at 11,461.50.

All three major benchmarks booked a second straight week of gains, according to Dow Jones Market Data. Stocks had soared on Wednesday with the Dow climbing more than 700 points in the wake of Fed Chairman Jerome Powell's remarks about the likelihood that the Fed will downshift to a 50-basis point interest-rate hike later this month.



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Fed under pressure due to resilient US labor market

As US employment gains decelerated, markets hoped that the Fed would gradually ease off the brake pedal on monetary policy. This hope faded Friday morning, as nonfarm payrolls rose by 263,000 in November, exceeding expectations, and October's figure was revised higher by 23,000 to 284,000. Of particular concern to the Fed was the 0.6% increase in average hourly earnings month-over-month, representing the largest gain of the year. A 5.1% increase in average hourly earnings was reported, well above the consensus forecast of a 4.6% increase. In addition, the labor force participation rate dropped by 0.1% to 62.1%. In order to ease the tight labor market, the Fed would like to see the rate increase.

Powell hawkish; markets skeptical

A number of the same hawkish themes that dominated Jerome Powell's press conference following the November meeting of the Federal Open Market Committee, such as maintaining rates at a high level for an extended period, were discussed on Wednesday. Powell acknowledged, however, that the rate hike

pace is likely to slow shortly after the December meeting of the committee, and that rents, an important input to the Fed's preferred price measure, have begun to decline. Nevertheless, due to data lags, inflation will not reflect the decline for some time. On Wednesday, investors looked past the hawkish comments and focused on the dovish ones, driving the S&P 500 Index 3% higher. Because Powell does not desire to cut rates in the near future, the Fed does not intend to overtighten monetary policy (which could throw the economy into a deep recession, causing the central bank to quickly reverse course).

HEADLINERS

As expected, the core personal consumption expenditures price index, which is the Fed's preferred measure of prices, dipped to 5% in October from 5.2% in September. The core PCE rose 0.3% month-over-month, below the consensus estimate of 0.4%.

The manufacturing purchasing managers' index of the Institute for Supply Management declined to 49 in November from 50.2 in October, a much greater decline than expected. This is the lowest level of the index since June 2020. There was a decline in the new order index from 49.2 to 47.2.

After Venezuela's government agreed to humanitarian relief, the United States



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authorized Chevron to resume oil production. A six-month license was issued by the United States and is revocable at any time.

It was announced this week that BlockFi, a cryptocurrency lender caught up in the FTX bankruptcy, had filed for Chapter 11 bankruptcy protection.

According to the S&P/Case-Shiller National Home Price Index, US home prices decreased by 0.8% month-over-month in September. Year-over-year, the index rose 10.6%, down from 12.9% in August.

In his remarks Thursday, President Joe Biden indicated that he is willing to speak with Russian President Vladimir Putin about the Ukrainian crisis if Putin is seeking an end to the conflict. According to Putin's spokesman, Moscow must meet its demands in order for negotiations to be successful.

Austan Goolsbee, a former chair of the White House Council of Economic Advisors, has been appointed president of the Federal Reserve Bank of Chicago. The University of Chicago professor will assume the post in early January and will become a voting member of the FOMC in 2023.

According to Apartment List, US apartment rents declined by 1% in November, their third consecutive monthly decline.

On Friday morning, President Biden signed a bill passed by Congress averting a nationwide rail strike.

According to the Fed's latest Beige Book, economic activity has flattened or increased slightly compared with the prior report, down from the modest growth rate reported in the previous report. In spite of some easing of the supply chain, price, and wage conditions, contacts expressed greater uncertainty or pessimism regarding the economic outlook.

It was announced this week by the International Labor Organization that global real wages declined in the first half of 2022 for the first time in the 15-year history of the data series. The ILO noted that whenever real wages decline, the risk of a wage-price spiral is reduced.

MAJOR STOCK MOVES

UiPath Inc. PATH shares jumped 12.5% after the “software robot” provider’s quarterly results and outlook topped Wall Street estimates.

Shares of Cracker Barrel Old Country Store Inc. CBRL tumbled 12.9% after the home-style restaurant chain with retail stores inside missed fiscal first-quarter profit expectations.

PayPal Holdings Inc. PYPL shares dropped 4.9%, making it one of the worst S&P 500 performers.



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Risk Perspective

Is it possible to avoid loss? Not entirely, but you can attempt to manage risk. [Click to learn more.](#)

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

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