Investment Services & Financial Planning
Melvin Mills Jr
169 North Street
Bennington, VT 05201
802-445-7982
mmills@moneyconcepts.com
thebankofbennington.com/wealth-management/

Key Dates/Data Releases

5/11: Consumer Price Index, Treasury budget statement

5/12: Producer Price Index

5/13: Import and export prices

MARKET WEEK: MAY 9, 2022

The Markets (as of market close May 6, 2022)

Stocks ended last week lower, marking the fifth consecutive week of losses. Despite suggestions from Federal Reserve Chair Jerome Powell that the central bank is not likely to raise interest rates by 75 basis points, stubbornly high inflation has set the Fed on a path of quantitative tightening and interest-rate advances that presents a risk to economic growth. April's solid jobs numbers (see below) suggest employers may be inclined to keep raising wages in order to attract workers, adding to inflationary pressures. Once again, tech shares took the brunt of the sell off, with only energy shares and utility stocks posting gains. The Nasdaq and the Russell 2000 each fell more than 1.2% last week, while the S&P 500 extended its losing streak after slipping 0.2%. Treasury bond prices continued to drop, pushing yields higher. Crude oil prices advanced again last week on supply concerns fueled by the impending European Union sanctions on Russian oil.

Stocks began last week on an uptick, likely influenced by dip buyers. Each of the benchmark indexes listed here gained ground, led by the Nasdaq, which rose 1.6% on the heels of a rally by several major tech companies. The Russell 2000 added 1.0%, the S&P 500 gained 0.6%, and the Dow climbed 3.0%. The Global Dow slid 0.5%. Ten-year Treasury yields traded near 3.0%, ending the day at 2.99%. The dollar rose $0.67 to reach $103.63 against a basket of foreign currencies. Crude oil prices increased $1.13 to $105.82 per barrel.

For the second session in a row, stocks ended the day higher last Tuesday as investors awaited Wednesday's expected Federal Reserve rate hike. The Russell 2000 (1.0%) and the S&P 500 (0.5%) led the indexes, followed by the Global Dow (0.8%). The Nasdaq and the Dow each gained 0.2%. Crude oil prices, 10-year Treasury yields, and the dollar declined. Gold prices advanced.

Wall Street rallied last Wednesday after Jerome Powell eased concerns that the central bank would pursue a more aggressive pace of tightening. Nevertheless, earlier in the day, the Federal Open Market Committee announced the steepest interest-rate hike in 20 years. Each of the benchmark indexes listed here posted notable gains, with both the Nasdaq and the S&P 500 adding 3.0%. The Dow jumped 2.8% and the Russell 2000 advanced 2.7%. The Global Dow rose 1.8%. Ten-year Treasury yields slid 4.3 basis points to 2.91%. The dollar dropped nearly 1.0%, while crude oil prices soared, adding $5.50 to reach $107.90 per barrel after the European Union proposed an import ban on Russian oil.

The Wall Street rally from last Wednesday reversed to a retreat last Thursday as stocks plunged by the end of trading. The Nasdaq fell 5.0%, the Russell 2000 dropped 4.3%, the S&P 500 slid 3.6%, and the Dow declined 3.1%. The Global Dow gave back 1.8%. Ten-year Treasury yields added nearly 15 basis points to close at 3.06%, the highest rate since 2018. The dollar rose to $103.50. Crude oil prices jumped to $108.25 per barrel.

Stocks fell again last Friday to end a roller coaster week. The small caps of the Russell 2000 (-1.7%) and the tech-heavy Nasdaq (-1.4%) led the declining indexes, followed by the S&P 500 (-0.6%), the Global Dow (-0.4%), and the Dow (-0.3%). Ten-year Treasury yields gained 5.7 basis points to end the week at 3.12%. Crude oil prices topped $110.00 per barrel after climbing $2.23. The dollar was little changed, while gold prices advanced $6.10 to $1,881.80 per ounce.

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Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 5/6	Weekly Change	YTD Change
DJIA	36,338.30	32,977.21	32,899.37	-0.24%	-9.46%
Nasdaq	15,644.97	12,334.64	12,144.66	-1.54%	-22.37%
S&P 500	4,766.18	4,131.93	4,123.34	-0.21%	-13.49%
Russell 2000	2,245.31	1,862.16	1,839.56	-1.21%	-18.07%
Global Dow	4,137.63	3,815.07	3,805.92	-0.24%	-8.02%
Fed. Funds target rate	0.00%-0.25%	0.25%-0.50%	0.75%-1.00%	50 bps	75 bps
10-year Treasuries	1.51%	2.88%	3.12%	24 bps	161 bps
US Dollar-DXY	95.64	103.17	103.67	0.48%	8.40%
Crude Oil-CL=F	$75.44	$104.07	$110.56	6.24%	46.55%
Gold-GC=F	$1,830.30	$1,897.90	$1,882.10	-0.83%	2.83%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- As expected, the Federal Open Market Committee increased the target range for the federal funds rate by 50 basis points to 0.75%-1.00%. The Committee anticipates that ongoing increases in the target range will be appropriate. In addition, the FOMC decided to begin reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities on June 1. In support of its decision, the Committee noted that, despite strength in household spending and employment, overall economic activity edged down in the first quarter, while inflation remained elevated. This led to supply-and-demand imbalances related to the pandemic, higher energy prices, and broader price pressures. The FOMC also said the implications on the U.S. economy resulting from the invasion of Ukraine by Russia are highly uncertain. However, the invasion and related events are creating additional upward pressure on inflation and are likely to weigh on economic activity. In addition, COVID-related lockdowns in China are likely to exacerbate supply-chain disruptions. The Committee made it a point to state that it is "highly attentive" to inflation risks.

- The employment sector continued to show strength in April, with 428,000 new jobs added. Job gains were widespread, with the largest increases occurring in leisure and hospitality, in manufacturing, and transportation and warehousing. Total employment is nearing its February 2020 pre-pandemic level but remains down by 1.2 million, or 0.8%. In April, the unemployment rate, at 3.6%, was unchanged from the previous month, and the total number of unemployed persons edged down to 5.9 million. In another sign of the employment sector's recovery from the pandemic, both the unemployment rate and the total number of unemployed are near their February 2020 levels (3.5% and 5.7 million, respectively). In April, both the labor force participation rate, at 62.2%, and the employment-population ratio, at 60.0%, were little changed over the previous month. In April, 7.7% of employed persons teleworked because of the coronavirus pandemic, down from 10.0% in March. In April, 1.7 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic, which is down 2.5 million from the previous month. Average hourly earnings rose by $0.10, or 0.3%, to $31.85 in April. Over the past 12 months, average hourly earnings have increased by 5.5%. The average work week was unchanged at 34.6 hours in April.

- Manufacturing improved in April, according to the latest S&P Global US Manufacturing PMI™. The S&P Global US Manufacturing Purchasing Managers' Index™ posted 59.2 in April, up from 58.8 in March. The rate of growth accelerated for the third consecutive month and was the sharpest since last September. Contributing to the uptick in manufacturing was a faster rise in output during April as new orders increased. Although manufacturing expanded in April, severe material and capacity shortages at suppliers led to sharper increases in cost burdens and selling prices.

- The S&P Global US Services PMI Business Activity Index registered 55.6 in April, down from 58.0 in March. The April reading marked an uptick in business activity in the services sector, but at a slower pace than in the previous month. At the same time, cost burdens rose substantially in April. Higher wage, transportation, and material costs drove up input prices. Service providers mentioned greater food, energy and fuel costs in particular. The rate of input price inflation accelerated for the third successive month to the fastest in more than 11 years. Service firms attempted to pass on the price increases to customers, which weighed on customer spending.

- According to the latest Job Openings and Labor Turnover report, at the end of March there were 11.5 million job openings, the highest level in the history of the series, which began in December 2000. Job openings increased in retail trade (+155,000) and in durable goods manufacturing (+50,000). Job openings decreased in transportation, warehousing, and utilities (-69,000); state and local government education (-43,000); and federal government (-20,000). Also in March, there were 6.7 million hires. On the other side of the ledger, 6.3 million people were separated from their jobs, including 4.5 million quits and 1.4 million layoffs and discharges, along with 380,000 other separations. Over the 12 months ended in March, hires totaled 77.7 million and separations totaled 71.4 million, yielding a net employment gain of 6.3 million.

- The goods and services trade deficit was $109.8 billion in March, up $20.0 billion, or 22.3%, from the February deficit. Exports increased 5.6% while imports vaulted 10.3% in March. Year to date, the goods and services deficit increased $84.8 billion, or 41.5%, from the same period in 2021. Exports increased $104.5 billion, or 17.7%. Imports increased $189.3 billion, or 23.8%. Of particular note, the trade in goods deficit with China increased $7.4 billion in March; the goods deficit with Canada rose $3.7 billion; while the goods deficit with the European Union decreased $1.3 billion.

- The national average retail price for regular gasoline was $4.182 per gallon on May 2, $0.075 per gallon above the prior week's price and $1.292 higher than a year ago. Also as of April 25, the East Coast price increased $0.11 to $4.09 per gallon; the Gulf Coast price rose $0.07 to $3.86 per gallon; the Midwest price climbed $0.07 to $3.99 per gallon; the West Coast price increased $0.02 to $5.10 per gallon; and the Rocky Mountain price was unchanged at $4.19 per gallon. Residential heating oil prices averaged $4.78 per gallon on April 29, about $0.84 per gallon more than the prior week's price. U.S. crude oil refinery inputs averaged 15.5 million barrels per day during the week ended April 29, which was 218,000 barrels per day less than the previous week's average. During the week ended April 29, refineries operated at 88.4% of their operable capacity, and gasoline production increased, averaging 9.7 million barrels per day.

- For the week ended April 30, there were 200,000 new claims for unemployment insurance, an increase of 19,000 from the previous week's level, which was revised up by 1,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended April 23 was 1.0%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended April 23 was 1,384,000, a decrease of 19,000 from the previous week's level, which was revised down by 5,000. This is the lowest level for insured unemployment since February 17, 1970, when it was 1,371,000. States and territories with the highest insured unemployment rates for the week ended April 16 were California (2.1%), New Jersey (2.1%), Alaska (1.9%), Minnesota (1.6%), New York (1.6%), Illinois (1.5%), Puerto Rico (1.5%), Connecticut (1.4%), Massachusetts (1.4%), Michigan (1.4%), and Rhode Island (1.4%). The largest increases in initial claims for the week ended April 23 were in New York (+4,760), Massachusetts (+3,491), Connecticut (+1,045), Georgia (+932), and New Jersey (+888), while the largest decreases were in California (-2,860), Ohio (-2,609), Michigan (-1,887), Washington (-475), and Minnesota (-453).

Eye on the Week Ahead

Inflation data for April is available this week, including the Consumer Price Index. Consumer prices advanced 1.2% in March and were up 6.5% since March 2021. The Producer Price Index is also available this week. March showed that prices at the producer level rose 1.4% and are up a notable 11.2% for the 12 months ended in March. Another indicator of inflationary trends is the report on import and export prices. Import prices climbed 2.6% in March, while export prices rose 4.5%. Since March 2021, import prices have risen 12.5%, and export prices have climbed 18.8%.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there *future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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