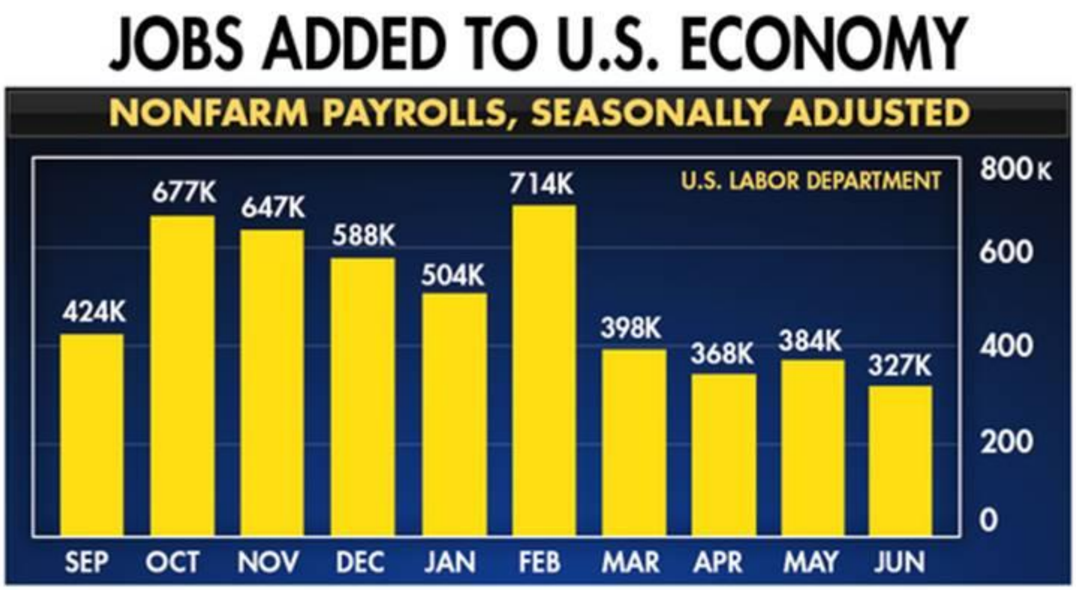
Monday, July 11, 2022

Good morning:

The June jobs report announced last week reported that the U.S. economy added 372,000 new jobs, well ahead of the estimated 250,000. Overall unemployment remained at 3.6%, while average hourly earnings rose 5.1% from a year ago. However, with CPI up 8.6% over the same period, *real* wage growth did not keep up with inflation. Nevertheless, the strength in the U.S. labor market served as a bright spot in a market worried about an impending recession.



By week's end, all major equity indices were higher. Leading the rebound was the tech-heavy NASDAQ +4.58%, followed by the S&P 500 +1.98% and the Dow Jones Industrial Average +0.82%. However, there are still plenty of other issues for the market to digest in the near future. Since employment is a lagging indicator, the June jobs report does not completely remove the risk of a recession starting at some point in the coming months. It may suggest, though, that in an environment of such strong labor demand, any contraction in the economy could be a relatively mild one for American workers.

Next week's CPI report is not expected to show any relief in soaring prices. Therefore, the strong jobs report coupled with another hot CPI number should give the Fed plenty of justification for another 0.75% rate hike later this month. What happens after that still remains very data dependent, although the market has likely priced-in this month's rate hike along with several more this year. With today's softer opening, it is clear that we remain in difficult and highly volatile waters for short-term investors.

It's important to realize that we are all still in the wake of series of unprecedented events. A global pandemic to which most of the world responded with widespread business closures, sequesters and restrictions, followed by massive fiscal and monetary stimulus that drove certain asset prices higher. Instead of acknowledging this reality, the Fed called the rising inflation "transitory" for many months and hoped it would go away on its own. By the time that approach was recognized as clearly incorrect, inflation had worked its way throughout much of the economy like a virus. In response, the Fed now finds themselves with the difficult job of removing *this* virus without killing the patient. Although this will take some time to play out, we believe they will ultimately be successful in reducing inflation without toppling the entire economy.

To continue this discussion with additional expert industry perspective, we encourage you to join us on Wednesday's private client call with Dr. Matt Sommer, Head of Janus Henderson's Wealth Advisor Services Team. A separate invitation was emailed last week for this event, but we will send it again later today.

Have a great week!

Mark and Jeff

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S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market.

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor.

The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence.

International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

Investing in emerging markets can be riskier than investing in well-established foreign markets. Investing involves risk and investors may incur a profit or a loss.

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Holding stocks for the long-term does not insure a profitable outcome. Investing in stocks always involves risk, including the possibility of losing one's entire investment.

Market return and statistical data obtained from: https://am.jpmorgan.com/blob-gim/1383452890099/83456/weekly_market_recap.pdf?segment=AMERICAS_US_ADV&locale=en_US
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