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Market Week: February 7, 2022

The Markets (as of market close February 4, 2022)

Last week was notable for a stronger-than-expected jobs report and mixed fourth-quarter earnings data. Stock values rose and fell throughout the week, ultimately closing higher. Crude oil prices rose for the seventh consecutive week, as prices near an eight-year high. A cold snap in the United States and concerns about the Ukrainian situation contributed to the raise in the prices of natural gas and oil. Each of the benchmark indexes listed here ended the week higher, led by the Nasdaq, which had one of its worst days last Thursday, only to be followed by one of its best performances. The large caps of the S&P 500 and the Dow pushed higher. The Global Dow gained over 2.0%, and the small caps of the Russell 2000 advanced 1.7%. The dollar fell, while gold prices climbed higher.

Stocks pushed higher last Monday for the second consecutive session as dip buyers snatched bargains in beaten-down growth stocks. The Nasdaq led the charge, climbing 3.4%, followed by the Russell 2000 (3.1%), the S&P 500 (1.9%), the Dow (1.2%), and the Global Dow (1.0%). Gains were noted across each of the market sectors, with information technology and communication services leading the way. Ten-year Treasury yields were flat, while the dollar dipped. Crude oil prices climbed 1.5% to $88.15 per barrel.

Last Tuesday, Wall Street enjoyed its best three-day rally since 2020. Strong fourth-quarter earnings data from some major corporations helped bolster investor confidence. Each of the benchmark indexes advanced, with the Global Dow (1.4%) and the Russell 2000 (1.1%) gaining the most, followed by the Dow and the Nasdaq, each of which added 0.8%. The S&P 500 rose 0.7%. Energy, financials, industrials, communication services, and materials led the market sectors. Ten-year Treasury yields climbed to 1.8%, crude oil prices edged higher, while the dollar dipped.

Stocks closed generally higher for the fourth consecutive session last Wednesday, with only the small caps of the Russell 2000 lagging. The S&P 500 (0.9%), the Dow (0.6%), the Global Dow (0.6%), and the Nasdaq (0.5%) each pushed higher. culminating in the biggest four-day rally since November 2020. Crude oil prices slipped to $87.93 per barrel, the dollar fell nearly 0.5%, and 10-year Treasuries declined to 1.77%. Leading the market sectors were communication services, real estate, utilities, health care, and consumer staples.

Last Thursday saw the biggest tech sell off since the fall of 2020, ending a four-day rally. The Nasdaq fell 3.7% as a major technology company saw its shares fall more than 26% following its underwhelming fourth-quarter earnings results. Adding to investor worries was the latest jobless claims report, which showed 238,000 new claims for unemployment insurance were filed last week. The S&P 500 declined 2.4%, the Russell 2000 lost 1.9%, the Dow edged 1.45% lower, and the Global Dow dipped 0.8%. Ten-year Treasury yields climbed six basis points to 1.82%. Crude oil prices rose above $90.00 per barrel, while the dollar slid lower.

A strong jobs report and favorable earnings data from a major tech company helped power stocks higher last Friday. Ten-year Treasury prices fell, driving yields up to 1.93% as it looks more likely that the Federal Reserve will raise interest rates by 50 basis points in March. Among the market indexes listed here, only the Dow failed to gain ground, dipping less than 0.1 percentage point. The Nasdaq gained 1.6%, the Russell 2000 rose 0.6%, the S&P 500 edged up by 0.5%, while the Global Dow ended flat. Consumer discretionary (3.7%), financials (1.7%), and energy (1.6%) led the market sectors. Crude oil prices continued to climb, reaching $92.20 per barrel late Friday. The dollar was mixed on the day.

Key Dates/Data Releases

2/8: International trade in goods and services

2/10: Consumer Price Index, Treasury statement

Stock Market Indexes

Market/Index	2021 Close	Prior Week	As of 2/4	Weekly Change	YTD Change
DJIA	36,338.30	34,725.47	35,089.74	1.05%	-3.44%
Nasdaq	15,644.97	13,770.57	14,098.01	2.38%	-9.89%
S&P 500	4,766.18	4,431.85	4,500.53	1.55%	-5.57%
Russell 2000	2,245.31	1,968.51	2,002.36	1.72%	-10.82%
Global Dow	4,137.63	4,113.38	4,201.86	2.15%	1.55%
Fed. Funds target rate	0.00%-0.25%	0.00%-0.25%	0.00%-0.25%	0 bps	0 bps
10-year Treasuries	1.51%	1.78%	1.93%	15 bps	42 bps
US Dollar-DXY	95.64	97.23	95.47	-1.81%	-0.18%
Crude Oil-CL=F	$75.44	$87.23	$92.18	5.67%	22.19%
Gold-GC=F	$1,830.30	$1,790.40	$1,808.00	0.98%	-1.22%

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

- Employment rose by a whopping 467,000 in January. In addition, December's totals were revised significantly higher, rising from an initial estimate of 199,000 to a revised figure of 510,000. The unemployment rate rose by 0.1 percentage point to 4.0%. Employment growth continued in leisure and hospitality, professional and business services, retail trade, and transportation and warehousing. The number of unemployed rose by about 200,000 to 6.5 million. Year over year, the unemployment rate is down by 2.4 percentage points, and the number of unemployed persons declined by 3.7 million. In February 2020, prior to the coronavirus (COVID-19) pandemic, the unemployment rate was 3.5%, and unemployed persons numbered 5.7 million. In January, the labor force participation rate held at 62.2% (61.9% in December), and the employment-population ratio was little changed at 59.7% (59.5% in December). Both measures are up from a year earlier but remain below their February 2020 levels (63.4% and 61.2%, respectively). The number of persons not in the labor force who currently want a job was little changed at 5.7 million in January. This measure decreased by 1.3 million since January 2021 but is 708,000 higher than in February 2020. In January, the share of employed persons who teleworked because of the coronavirus pandemic increased to 15.4%. In January, 6.0 million persons reported that they had been unable to work because their employer closed or lost business due to the pandemic. This measure is considerably higher than the level of 3.1 million in December. In January, average hourly earnings increased $0.23, or 0.7%, to $31.63. Over the past 12 months, average hourly earnings have increased by 5.7%. Last month, the average work week fell 0.2 hours to 34.5 hours.
- Manufacturing slowed in January, according to the latest IHS Markit purchasing managers' survey. The IHS Markit U.S. Manufacturing Purchasing Managers' Index™ (PMI™) posted 55.5 in January, down from 57.7 in December. This is the lowest reading since October 2020. Data indicated that output growth was muted and demand conditions softened, with new orders rising at the slowest pace since September 2020. The rate of cost inflation eased to the softest in eight months, however, as firms also moderated the pace at which selling prices increased. Contributing to the weakened output was the impact of the Omicron variant, raw material and labor shortages, and a reluctance among some clients to place orders amid hikes in selling prices and longer lead times.
- Business activity in January also slowed in the services sector. The IHS Markit U.S. Services PMI Business Activity Index registered 51.2, down notably from 57.6 in December. The rate of increase in output in January was the slowest in the past 18 months. Business activity in the business sector was hampered by the spread of the Omicron variant, as domestic and foreign demand conditions weakened. In addition, companies passed higher costs on to clients despite signs that cost pressures eased during January.
- According to the latest Job Openings and Labor Turnover Summary, the number of job openings rose by less than 200,000 in December 2021. The number of hires dropped by 333,000 to 6.3 million, and the number of separations decreased by 305,000 to 5.9 million. Job openings rose in several industries, with the largest increases coming in accommodation and food services (+133,000), information (+40,000), and nondurable goods manufacturing and state and local government education (+31,000 each). Job openings decreased in finance and insurance (-89,000) and in wholesale trade (-48,000). The number of

quits edged down in December to 4.3 million (-161,000) following a series high of 4.5 million in November. In December, the number of layoffs and discharges fell nearly 100,000 to 1.2 million, a series low.

- The national average retail price for regular gasoline was $3.368 per gallon on January 31, $0.045 per gallon more than the prior week's price and $0.959 higher than a year ago. The East Coast and Midwest prices each increased more than $0.06 to $3.31 per gallon and $3.19 per gallon, respectively. The Gulf Coast price increased $0.02 to $3.03 per gallon, and the Rocky Mountain price increased less than $0.01, remaining virtually unchanged at $3.33 per gallon. The West Coast price remained unchanged at $4.16 per gallon. As of January 31, 2022, residential heating oil prices averaged nearly $3.78 per gallon, almost $0.11 per gallon above last week's price and nearly $1.18 per gallon higher than last year's price at this time. Residential propane prices averaged nearly $2.78 per gallon, almost $0.04 per gallon above last week's price and more than $0.57 per gallon above last year's price.
- For the week ended January 29, there were 238,000 new claims for unemployment insurance, a decrease of 23,000 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 January 22 was 1.2%, unchanged from the previous week's rate. The advance number of those receiving unemployment insurance benefits during the week ended January 22 was 1,628,000, a decrease of 44,000 from the prior week's level, which was revised down by 3,000. States and territories with the highest insured unemployment rates for the week ended January 15 were Alaska (3.0%), the Virgin Islands (3.0%), New Jersey (2.6%), California (2.5%), Minnesota (2.5%), New York (2.4%), Rhode Island (2.4%), Illinois (2.3%), Kentucky (2.3%), and Massachusetts (2.3%). The only increase in initial claims for the week ended January 22 was in Alabama (+628), while the largest decreases were in California (-8,078), Pennsylvania (-7,967), New York (-5,722), New Jersey (-4,818), and Kentucky (-4,049).

Eye on the Week Ahead

The next round of data on inflation begins this week with the release of the Consumer Price Index for January. Consumer prices rose 0.5% in December and 7.0% in 2021. Little change is expected in price pressure, at least through March, when the Federal Reserve is expected to raise interest rates for the first time since 2018 in what could be several such advances throughout this year.

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