

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- Gross Domestic Product (GDP) revisions confirmed the U.S. economy contracted in the first half of 2022.
 - Real GDP Growth in Q2 remained at -0.6%, matching consensus estimations.
 - Downward revisions to net exports, residential investment, and inventories were offset by upward revisions in personal consumption.
 - Personal Income unadjusted for inflation rose 0.3% for the second month in a row, while growth in wages and salaries slowed.
- Gross Domestic Income (GDI) was revised down for the second quarter to 0.1%, a revision of 1.3% from the previous estimate
 - Likely due to inflation, incomes did not rise as much as previously estimated.
- Personal Consumption Expenditures (PCE), the Federal Reserve's preferred gauge for inflation, rose 0.3% in August, matching consensus expectations.
 - For the trailing 12-month period, PCE has increased 6.2%, higher than forecast, and well above the central bank's 2.0% target.
 - Prices for goods decreased 0.3%, and prices for services increased 0.6%.
 - Food prices increased 0.8%, and energy prices decreased 5.5%.
- Core PCE (excluding food and energy) rose 0.6% and has increased 4.9% since August 2021.
- The University of Michigan consumer sentiment index rose 58.6 in September, an increase from the August print of 58.2, though falling short of the consensus 59.9.
 - Median one-year inflation expectations increased to 4.7% from 4.6% in the preliminary reading.
- **How do GDP, GDI, PCE and Consumer Sentiment impact you?**
 - Collectively, the measures are signifying a pattern of slowing economic activity for the first half of 2022. The data also indicates a sizeable downward revision to real disposable incomes. The deceleration of personal income is a welcome sign for the Fed as it seeks to moderate wage growth.



A LOOK FORWARD¹

- ISM Manufacturing Index and ISM Service (Non-Manufacturing) Index for September will be released on Monday, October 3rd, and Wednesday, October 5th, respectively.
- The Bureau of Labor Statistics will release The Employment Situation (a.k.a. the Employment Report) for September on Friday, October 7th.
- **How do the ISM Indices and the Employment Report impact you?**
 - At current levels, the ISM Manufacturing and Service Indices are both indicating the economy is still expanding, contradicting GDP and PCE data points. The Employment report should paint a clearer picture of the labor market, if it's maintaining its strength, and whether it is able to withstand a slowing economy.



MARKET UPDATE

Market Index Returns as of 9/30/22	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	-2.88	-4.88	-23.87	-15.47	8.16	9.24
NASDAQ Composite TR USD	-2.68	-3.91	-32.00	-26.25	10.63	11.25
DJ Industrial Average TR USD	-2.92	-6.17	-19.72	-13.40	4.36	7.42
Russell Mid Cap TR USD	-1.85	-3.44	-24.27	-19.39	5.19	6.48
Russell 2000 TR USD	-0.82	-2.19	-25.10	-23.50	4.29	3.56
MSCI EAFE NR USD	-1.35	-9.36	-27.09	-25.13	-1.83	-0.84
MSCI EM NR USD	-3.26	-11.57	-27.16	-28.11	-2.07	-1.81
Bloomberg US Agg Bond TR USD	-0.99	-4.75	-14.61	-14.60	-3.25	-0.27
Bloomberg US Corporate High Yield TR USD	-1.36	-0.65	-14.74	-14.14	-0.45	1.57
Bloomberg Global Aggregate TR USD	-0.72	-6.94	-19.89	-20.43	-5.73	-2.32



OBSERVATIONS

- U.S. equities declined across the board. Blue Chip securities were the worst performers, with the Dow -2.92%.
- Domestically, smaller-sized companies outperformed their larger counterparts losing less as the Russell 2000 index declined -0.82% on the week.
- Developed international markets were no different from domestic; the MSCI EAFE index fell -1.35%.
- Emerging markets were also negative, down -3.26%, the worst performing equity market of the group.
- U.S. bonds were negative across credit qualities for the week, with Bloomberg Barclays U.S. Aggregate Bond index down -0.99%, and -1.36% for High Yield Corporates.
- Bucking the trend of international markets underperforming domestic, the Global Aggregate declined -0.72%.



BY THE NUMBERS

- **Fordless Ford** – Is a car still a car if the name isn't printed on the front? Ford is about to find out. "Ford Motor Co. has delayed deliveries of certain vehicles because it didn't have the blue oval badges that go on them, in another example of how supply-chain challenges have hit automakers. Ford on Monday said it expects to have about 40,000 to 45,000 vehicles in inventory at the end of the third quarter that couldn't be shipped to dealers because they were awaiting needed parts. Many of these vehicles are high-margin trucks and SUVs, and the shortages primarily involved parts other than semiconductors, the company said."²
- **Historic Home Run** – "Aaron Judge created history in Toronto when he earned his 61st home run of the season, tying the all-time record held by Roger Maris in 1961. Sports memorabilia collection companies have estimated the value of the historic ball at \$2 million. However, the Yankees have a few more games in the regular season which poses the question - what will the 62nd homer be valued at? According to a few sources, the price of the ball could go as high as \$2.5 million."³
- **Demand for \$10M+ Homes** – "Homes priced at \$10 million and up sold briskly in New York City, the Hamptons, and South Florida during the first half of 2022, according to a new report from the brokerage Serhant. It wasn't fast enough, however, to outrun the market decline that's gripped the entire US. In a potential indication of a market slowdown, the number of signed contracts declined in comparison to the first half of 2021. This year's first half brought 127 contracts for homes priced above \$10 million in New York; last year, 161 contracts were signed in the same period."⁴

Economic Definitions

Producer Prices - PPI (headline and core): Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

CPI (headline and core): Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

GDP Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Manufacturing Index - PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

ISM Services Index - PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc.

PCE (headline and core) - PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

Personal Income - Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

Index Definitions

S&P 500: The S&P 500[®] is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: 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 index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

Disclosures

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¹ Data Obtained from Bloomberg as 09/30/2022

² [Ford's Latest Supply-Chain Problem: a Shortage of Blue Oval Badges | WSJ](#)

³ [What is Aaron Judge's historic 61st Home Run ball valued at? | sportskeeda.com](#)

⁴ [Demand for \\$10 Million-Plus Homes Slows in New York, Hamptons | Bloomberg](#)