



Weekly Market Commentary July 25, 2022

The Markets

A lot of people are worried that a recession may be in our future. Some think it may already be here.

Unemployment is low (3.6 percent), and inflation is high (9.1 percent). Both tend to occur when an economy is experiencing strong growth. That makes it difficult to believe the United States is in a recession, but some data is pointing that way.

Last week, the Atlanta Federal Reserve's GDPNow estimated that economic growth in the United States was -1.6 percent for the second quarter of 2022, after adjusting for inflation. They measured economic growth using gross domestic product or GDP, which is the value of all goods and services produced in the United States over a specific period of time. GDPNow is based on a simple, unadjusted mathematical model. It is not an official reading, and the model tends to be a bit volatile. For example:

- On April 29, when relatively little data was available for the second quarter, it was +1.9 percent.
- On May 17, as retail trade and industrial production statistics filtered in, it was +2.5 percent.
- On July 1, when construction spending and manufacturing data came out, it was -2.1 percent.
- Last week, after housing starts were released, it was -1.6 percent.

The Atlanta Fed's estimate becomes more accurate as more data is added. It tends to be most accurate near the Bureau of Economic Analysis (BES)'s official GDP release date, reported a source cited by Jeff Cox of *CNBC*.

Since the United States economy shrank by 1.6 percent in the first quarter of 2022, that would mean the U.S. has experienced two quarters of declining economic growth. Technically, that's a recession.

Not everyone expects GDP to shrink. *Bloomberg* surveyed economists and found they anticipate 0.5 percent growth in the second quarter, which would be an improvement on the first quarter.

There is an important distinction between the two quarters. The slowdown in the first quarter was caused by surging imports and slowing exports, which is unusual. The slowdown in the second quarter may be caused by a slowdown in consumer spending, which is the primary driver of U.S. economic growth, and business spending.

The next BEA's GDP numbers will be released this Thursday, July 28.

Last week, Randall Forsyth of *Barron's* reported that major U.S. stock indices gained. Yields on shorter maturity Treasuries rose last week, while yields on Treasuries with maturities of one year or longer fell.

Data as of 7/22/22	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 Index	2.6%	-16.9%	-9.3%	9.9%	9.9%	11.4%

Dow Jones Global ex-U.S. Index	4.1	-19.0	-19.7	-0.2	-0.1	3.1
10-year Treasury Note (yield only)	2.8	N/A	1.3	2.0	2.3	1.4
Gold (per ounce)	1.8	-4.6	-3.5	6.8	6.7	1.0
Bloomberg Commodity Index	2.7	17.5	22.0	13.8	7.1	-2.0

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance; MarketWatch; djindexes.com; U.S. Treasury; London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

THE CHALLENGES OF DATING. As if the pandemic didn't create enough dating challenges, inflation is now pushing the cost of dating a lot higher. More than 40 percent of people on the dating app Hinge said they think more about the cost of dating today than they did a year ago, especially members of Gen Z (the oldest Gen Zers are age 25), reported Paulina Cachero of *Bloomberg*.

Instead of meeting for drinks (the cost of alcoholic beverages was up 4 percent year-over-year in June) or sharing a meal in a restaurant (the cost of full-service dining was up 8.9 percent year-over-year in June) many people are opting for less expensive options, such as meeting for coffee, taking a walk, or cooking a meal at home.

Another challenge is keeping up with ever-evolving dating slang. "When you're looking for love these days, it's totally possible you might get *breadcrumb*ed and *orbited* on your way to the *soft launch*," reported Ashley Austrew on Dictionary.com. Here are a few definitions to know.

- **Breadcrumbing.** This is slang for leading someone on. Usually, breadcrumbing is chatting or flirting online through text or social media.
- **Orbiting.** When an ex – or someone else – stops communicating completely (i.e., they ghosted you) but they immediately offer a reaction when you post a picture or story on social media, they are orbiting you, reported Sophie Lloyd of *Newsweek*.
- **Soft launching.** When a product is soft launched, it goes through testing in limited groups. It's the same with dating. A soft launch gives a person's friends and followers the chance to get used to the idea of a significant other. It's a slow-motion version of the boyfriend or girlfriend reveal, reported Kaitlyn Tiffany of *The Atlantic*.

The bad news is that it's never easy to learn a new language. The good news is that the price of gas is dropping so the cost of dating should, too.

Weekly Focus – Think About It

"Little else is requisite to carry a state to the highest degree of opulence from the lowest barbarism but peace, easy taxes, and a tolerable administration of justice."

—Adam Smith, *economist and philosopher*

Best Regards,

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- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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