



Summary

U.S. stocks continued to retreat last week as investors remained concerned about future Fed rate hikes. For the week, the Dow Jones Industrial Average fell 3.0%, the S&P 500 declined 3.3%, and the NASDAQ decreased 4.2%. Economic reports were mostly positive. The August jobs report exceeded economists' expectations. Nonfarm payrolls advanced 315,000 last month compared with expectations for an increase of 300,000. The unemployment rate rose 0.2 percentage points to

3.7% as the labor force participation rate climbed 0.3 point to 62.4%. Average hourly earnings increased 0.3% and were up 5.2% from August 2021. In more labor market news, the Job Openings and Labor Turnover Survey (JOLTS) report showed the number of job openings climbed in July while the quits rate declined 0.1 percentage point to 2.7%. The ISM Manufacturing Index held steady at 52.8% in August and remained in expansion mode. Factory orders were down 1.0% in July

while orders for core capital goods—a proxy for business investment—rose 0.3%. Construction spending decreased 0.4% in July as private construction spending fell 0.8% while public construction spending was up 1.5%. In housing news, the FHFA Housing Price Index rose 0.1% in June and was up 17.7% from the second quarter of 2021 and the June Case-Shiller 20-City Index advanced 18.6% on a year-over-year basis.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
FHFA Housing Price Index (Jun – Tu 9:00)	+0.1%	NA	+17.7% from the 2 nd quarter of 2021
S&P Case-Shiller 20-City Index (Jun – Tu 9:00)	+18.6%	+19.0%	Year-over-year increase is down 1.9 points from May
Consumer Confidence (Aug – Tu 10:00)	103.2	97.4	First increase in four months
JOLTS – Job Openings (Jul – Tu 10:00)	11.239 Mil.	NA	+1.8% from June
Initial Unemployment Claims (8/27 – Th 8:30)	232 K	250 K	4-week moving average declined 4,000 to 241,500
Continuing Claims (8/20 – Th 8:30)	1,438 K	NA	
Nonfarm Business Productivity (Qtr 2 – Th 8:30)	-4.1%	-4.6%	Output fell 1.4% and hours worked increased 2.7%
Unit Labor Costs (Qtr 2 – Th 8:30)	+10.2%	+10.7%	Hourly compensation jumped 5.7%
ISM Manufacturing Index (Aug – Th 10:00)	52.8%	52.0%	27 th straight month above 50
Construction Spending (Jul – Th 10:00)	-0.4%	-0.1%	+8.5% from July 2021
Nonfarm Payrolls (Aug – Fr 8:30)	+315 K	+300 K	
Nonfarm Private Payrolls (Aug – Fr 8:30)	+308 K	+280 K	Government employment rose 7,000
Average Hourly Earnings (Aug – Fr 8:30)	+0.3%	+0.4%	+5.2% from August 2021
Unemployment Rate (Aug – Fr 8:30)	3.7%	3.5%	Labor force participation rate up 0.3 points to 62.4%
Average Workweek (Aug – Fr 8:30)	34.5	34.6	
Factory Orders (Jul – Fr 10:00)	-1.0%	+0.2%	Orders for core capital goods increased 0.3%
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
ISM Services (Aug – Tu 10:00)	55.2%	56.7%	
Trade Balance (Jul – We 8:30)	-\$70.2 Bil.	-\$79.6 Bil.	
Initial Unemployment Claims (9/3 – Th 8:30)	246 K	232 K	
Continuing Claims (8/27 – Th 8:30)	NA	1,438 K	Not available
Consumer Credit (Jul – Th 3:00)	NA	+\$40.1 Bil.	
Wholesale Inventories (Jul – Fr 10:00)	+0.8%	+1.8%	Not available

*Sources: www.briefing.com and www.federalreserve.gov



Economic Review

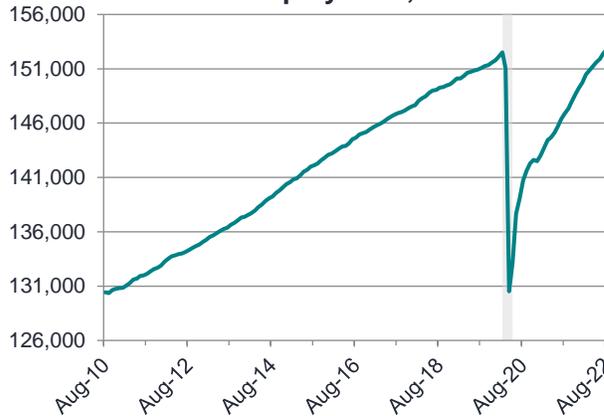
Job growth slowed in August but exceeded economists' expectations. **NON-FARM PAYROLLS** advanced 315,000 last month compared with expectations for a gain of 300,000 after rising 526,000 in July. Both the professional and business services sector and the education/health sector added 68,000 jobs in August. **NONFARM PRIVATE PAYROLLS** grew 308,000. The **AVERAGE WORKWEEK** declined to 34.5 hours. **AVERAGE HOURLY EARNINGS** for all employees on private nonfarm payrolls were \$32.36, up 0.3% from the previous month; over the past 12 months, average hourly earnings climbed 5.2%.

The U.S. jobless rate rose last month as the labor force participation rate increased. The **UNEMPLOYMENT RATE** climbed 0.2 percentage points to 3.7% in August as the labor force participation rate jumped 0.3 percentage points to 62.4%. The number of people unemployed for 27 weeks or longer was little changed at 1.1 million in August and made up 18.8% of the unemployed. The Labor Department's U-6 rate, which accounts for people who have stopped looking for work or cannot find full-time jobs, increased 0.3 percentage points to 7.0% but was

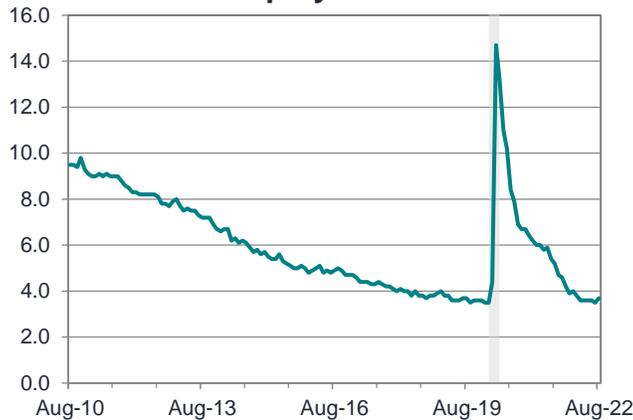
down 1.8 percentage points from August 2021. Down 0.6 points from July, 6.5% of employed persons teleworked because of the pandemic last month. In August, 1.9 million people reported that they were unable to work because their employer closed or lost business due to the pandemic, down from 2.2 million in July.

First-time jobless claims decreased unexpectedly last week. **INITIAL UNEMPLOYMENT CLAIMS** fell 5,000 to 232,000 for the week ending August 27. The four-week moving average was down 4,000 to 241,500. **CONTINUED BENEFITS** increased 26,000 to 1.438 million for the week ending August 20. The four-week moving average, a better measure of underlying trends, rose 4,500 to 1,428,500.

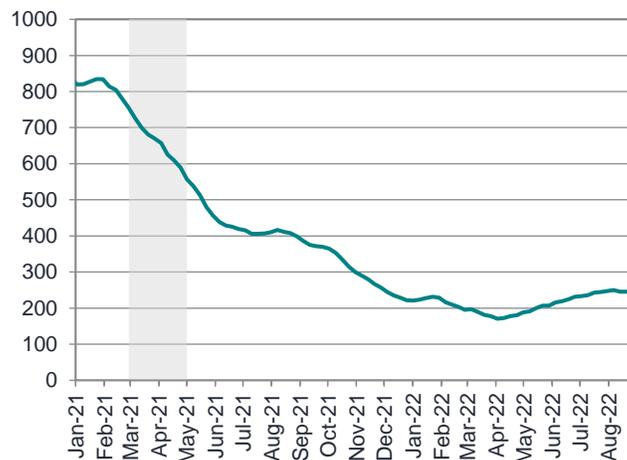
Nonfarm Employment, in Thousands



Unemployment Rate



Initial Unemployment Claims Thousands, 4-Week Moving Average





Fed Speeches

Federal Reserve Bank of Cleveland President and CEO Loretta Mester was interviewed by CNBC last week. President Mester, who is currently a Federal Open Market Committee voting member, expects the target range for the federal funds rate to exceed 4% in 2023. She said, "My current view is that it

range for the federal funds rate next year.

President Mester does not believe inflation needs to fall to the Fed's 2% target before the central bank halts interest rate hikes. She did say, however, "It would be a mistake to declare victory over the inflation beast

"...it will be necessary to move the fed funds rate up to somewhere above 4 percent by early next year and hold it there."

Federal Reserve Bank of Cleveland President and CEO Loretta Mester

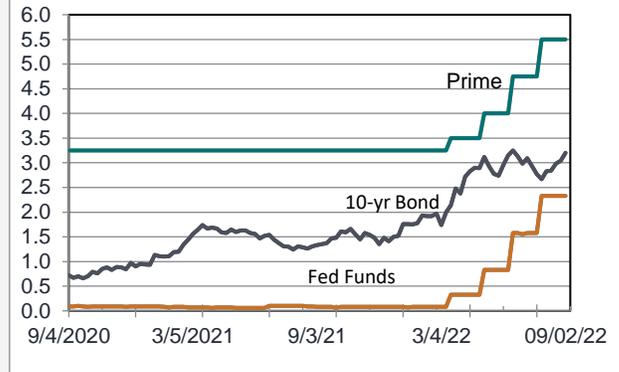
will be necessary to move the fed funds rate up to somewhere above 4 percent by early next year and hold it there." President Mester went on to say that she does not anticipate the central bank will cut the target

too soon. Doing so would put us back in the stop-and-go monetary policy world of the 1970s, which was very costly to households and businesses."

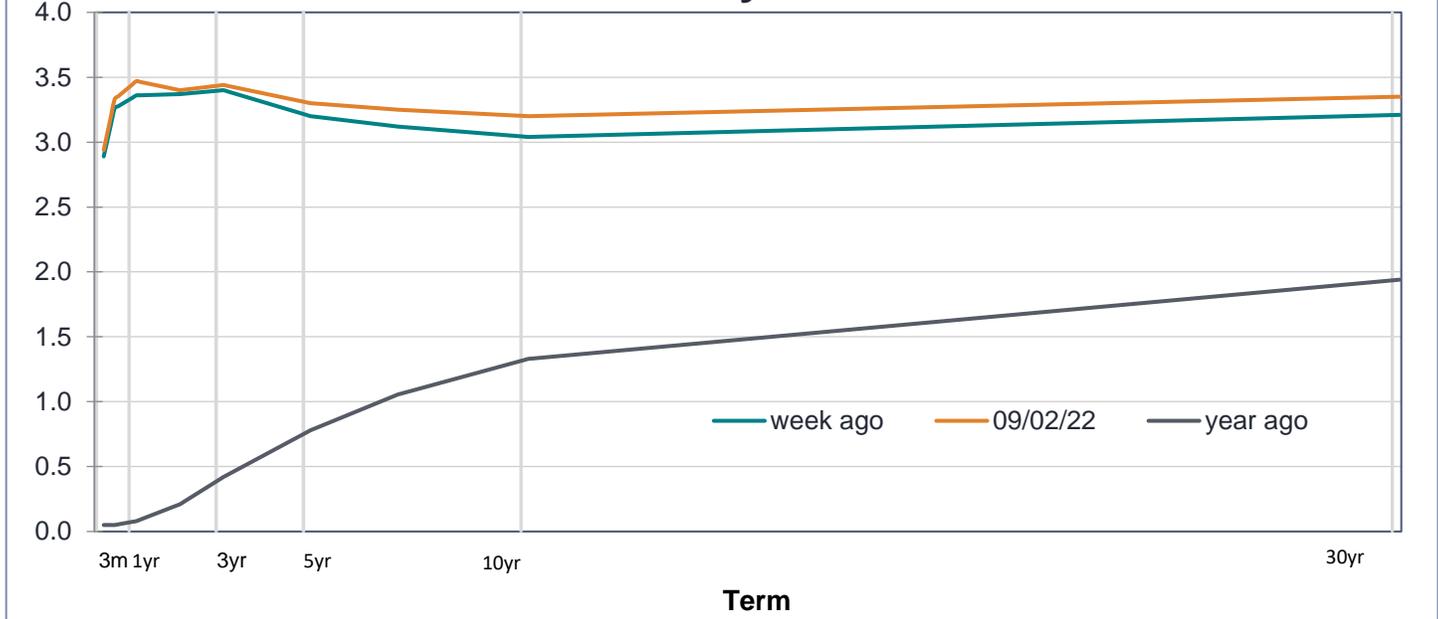
Financial Markets

U.S. stocks ended last week lower with the Dow Jones Industrial Average falling 3.0%, the S&P 500 decreasing 3.3%, and the NASDAQ declining 4.2%. Treasury yields were higher across the curve; the 10-year yield rose 16 basis points (bps) to 3.20% and the 30-year yield increased 14 bps to 3.35%. Oil prices were down 6.4% and ended the week at \$87.00 per barrel. The U.S. dollar advanced 1.5% against the Japanese yen and the euro slipped 0.1% against the greenback last week.

Selected Interest Rates



Treasury Curve





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) raised the federal funds rate target to 2.25% to 2.50% at the Fed's July policy meeting. In the statement released following the July meeting, the FOMC said, "Recent indicators of spending and production have softened. Nonetheless, job gains have been robust in recent months and the

unemployment rate has remained low. Inflation remains elevated, reflecting supply and demand imbalances

related to the pandemic, higher food and energy prices, and broader price pressures." The statement

went on to say that the Committee "anticipates that ongoing increases in the target range will be appropriate."

Avg. for:	Prime	Fed Funds	SOFR	6-Mo. T-Bill	2-Yr. Note	10-Yr. Treasury	30-Yr Bond	30-Yr Mortgage
3 rd Qtr '22	5.28	2.13	2.08	3.02	3.12	2.84	3.09	5.20
4 th Qtr	6.50	3.38	3.38	3.90	3.88	3.69	3.75	5.53
1 st Qtr '23	7.50	4.38	4.41	4.56	4.65	4.58	4.65	6.11
2 nd Qtr	7.50	4.38	4.41	4.41	4.51	4.55	4.58	6.01
3 rd Qtr	7.50	4.38	4.41	4.32	4.38	4.42	4.45	5.94

*Forecast as of August 29, 2022

FINANCIAL MARKET SUMMARY

	As of 9/2/2022	As of 8/26/2022	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	5.50	5.50	0	0	150
LIBOR Index Base Rate (1Month)	2.56	2.44	12	20	144
Fed Funds (Wed close)	2.33	2.33	0	0	150
TREASURIES (BE) (Changes in BPs)					
3 Months	2.94	2.89	5	36	173
6 Months	3.33	3.26	7	23	165
1 Year	3.47	3.36	11	18	129
2 Years	3.40	3.37	3	16	74
5 Years	3.30	3.20	10	33	35
10 Years	3.20	3.04	16	37	24
30 Years	3.35	3.21	14	29	24
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.35	2.26	9	67	54
5-Year Muni	2.38	2.60	(22)	51	26
10-Year Muni	2.68	2.54	14	81	23
30-Year Muni	3.46	3.30	16	49	60
30-Year Conventional Mortgage	5.66	5.55	11	67	57
MARKET INDICATORS (Changes in %)					
DJIA	31,318.44	32,283.40	(3.0)	(4.5)	(4.8)
S&P 500	3,924.26	4,057.66	(3.3)	(5.3)	(4.5)
NASDAQ	11,630.86	12,141.71	(4.2)	(8.1)	(3.2)
CRB Futures	304.76	320.24	(4.8)	1.4	(11.5)
Oil (WTI Crude)	87.00	92.95	(6.4)	(1.7)	(27.7)
Gold	1,720.90	1,750.20	(1.7)	(3.9)	(7.1)
Yen / Dollar	139.56	137.48	1.5	3.4	6.7
Dollar / Euro	1.00	1.00	(0.1)	(2.2)	(7.1)



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