



Summary

U.S. stocks closed higher on Friday but all of the major indices ended the week slightly in the red despite good news on the inflation front. The Dow Jones Industrial Average declined less than 0.1% last week. The S&P 500 decreased 0.7% and the NASDAQ fell 1.6% for the week. Last week was a busy week for economic reports. The Producer Price Index increased 0.2% in October and was up 8.0% from a year earlier. Core PPI, which

excludes food and energy, was unchanged from September and up 6.7% from October 2021. Retail sales jumped 1.3% in October and retail sales excluding automobiles also increased 1.3%—showing consumers are not holding back as the holiday season approaches. Industrial production (-0.1%) and capacity utilization (79.9%) both fell as industrial output continued its general decline over the past six months. Housing starts and

building permits each outperformed expectations but declined from the previous month as no region showed growth in single-start units or permits. Initial unemployment claims for the week ending November 12 decreased 4,000 to 222,000. Continuing job claims for the week ending November 5 rose 13,000 to 1,507,000.

Have a wonderful Thanksgiving. The *Weekly Economic Update* will not be produced next week and will resume on December 5, 2022.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Producer Price Index (Oct – Tu 08:30)	+0.2%	+0.4%	Up 8.0% year-over-year
Core PPI (Oct – Tu 08:30)	+0.0%	+0.3%	
Retail Sales (Oct – We 08 :30)	+1.3%	+0.6%	
Industrial Production (Oct – We 09:15)	-0.1%	+0.2%	4 th decline in the last 6 months
Capacity Utilization (Oct – We 09:15)	79.9%	80.3%	
Business Inventories (Sep – We 10:00)	+0.4%	+0.5%	
NAHB Housing Market Index (Nov – We 10:00)	33	35	
Housing Starts (Oct – Th 08 :30)	1,425 TUAR	1,415 TUAR	4.2% decline from September
Building Permits (Oct – Th 08 :30)	1,526 TUAR	1,525 TUAR	2.4% decrease from September
Initial Claims (11/12 – Th 08 :30)	222 K	230 K	
Continuing Claims (11/05 – Th 08 :30)	1,507 K	NA	
Existing Home Sales (Oct – Fr 10:00)	4.43 MUAR	4.30 MUAR	Higher mortgage rates slowing down sales
Leading Economic Index (Oct – Fr 10:00)	-0.8%	-0.4%	
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
Initial Claims (11/19 – We 08:30)	226 K	222 K	
Continuing Claims (11/12 – We 08:30)	NA	1,507 K	Not available
Durable Orders (Oct – We 08:30)	+0.4%	+0.4%	
New Home Sales (Oct – We 10:00)	728 TUAR	603 TUAR	
U. Michigan Consumer Sentiment (Nov – We 10:30)	55.5	54.7	

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



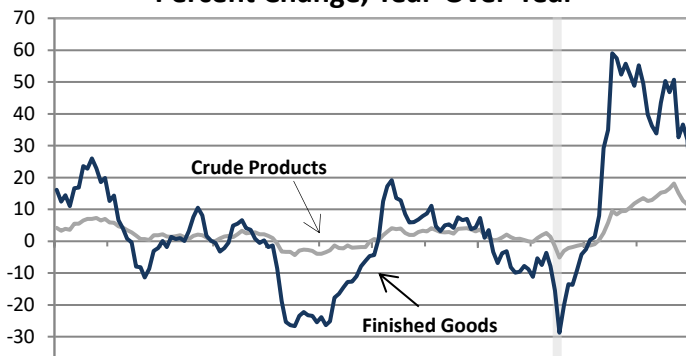
Economic Review

The PRODUCER PRICE INDEX (PPI) for final demand rose 0.2% in October following a downwardly revised 0.2% increase in September, while the core PPI for final demand held steady after a downwardly revised increase of 0.2% in September. From a year earlier, the index for final demand jumped 8.0% compared with 8.4% in September. The core measure was up 6.7%, compared with 7.1% in September. The PPI report demonstrates that the current inflation levels are still very high at the producer level but are trending downward. Consumers and producers alike will continue to look to the Federal Reserve to control inflation.

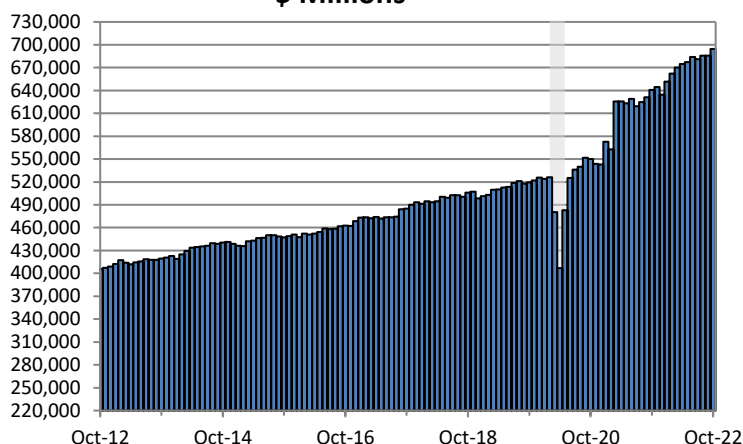
Sales at U.S. retailers increased in October. RETAIL SALES (seasonally adjusted) rose 1.3% last month after an unrevised 0.0% reading in September. Retail sales (excluding automobiles) also grew 1.3% after an unrevised increase of 0.1% in September. Motor vehicle and parts dealers' sales jumped 1.3% and gasoline station sales surged 4.1% after a 3.7% decline in September. Sales at food services and drinking places continued to rise with a 1.4% gain in October after a 0.7% increase in September.

INDUSTRIAL PRODUCTION fell 0.1% in October, short of economists' expectations of a growth of 0.2%. The capacity utilization rate dropped to 79.9% in October compared with 80.1% in September. Manufacturing output edged up 0.1% in October and motor vehicle assemblies increased 3.4%, which put the seasonally adjusted annual rate at 11.07 million units. Mining production rose 0.4% after advancing 0.7% in September. Utilities output dropped 1.5%, which followed a 1.7% decrease in September. Year-over-year, industrial production was up 3.3% and the capacity utilization rate (79.9%) was 0.3 percentage points above its long-run (1972-2021) average.

Producer Price Index
Percent Change, Year-Over-Year



Retail Sales
\$ Millions



Industrial Production
Percent Change, Year-Over-Year





Fed Speeches

Christopher Waller, a member of the Federal Reserve Board of Governors, gave a speech last week for the 59th Annual Economic Forecast Luncheon in Phoenix. Dr. Waller shared some thoughts on the future of the U.S. economy:

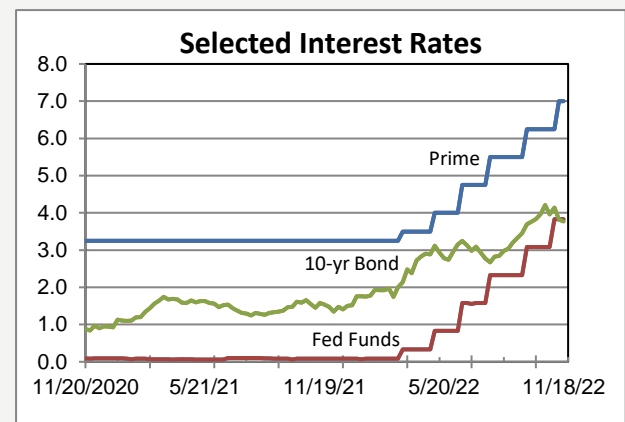
Economic growth in the United States has slowed significantly in 2022, and I expect that slow growth to continue into next year. After shrinking slightly in the first half of this year, real gross domestic product rebounded in the third quarter to a 2.6 percent annual growth rate. But all indications are that this was a temporary boost, and that weak growth has returned in the last quarter of this year and will persist into 2023. Consumer and business spending has softened, amid deteriorating business sentiment in most sectors of the economy and near-record-low readings on surveys of consumer attitudes about the economy.

Dr. Waller clarified that reduced growth is a positive sign in the fight against inflation:

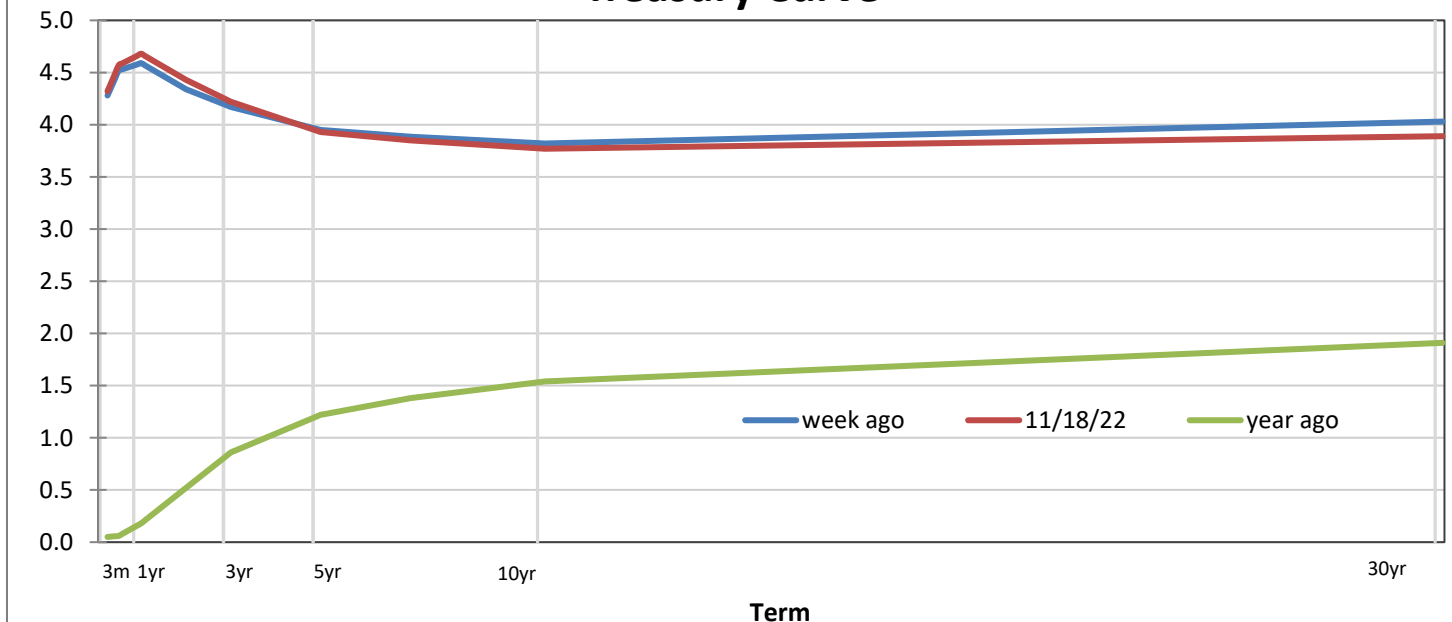
At any other time, I would be pretty unhappy about slowing growth, but not now. If you believe, as I do, that supply bottlenecks in the economy have mostly abated and that elevated inflation is primarily a function of high demand, then slowing down economic growth is absolutely necessary to bring inflation down to our 2 percent target. This slowing in activity is a sign that actions taken by the Federal Reserve this year to reduce inflation are working.

Financial Markets

U.S. stocks finished lower last week with the Dow Jones Industrial Average declining less than 0.1%, the S&P 500 decreasing 0.7%, and the NASDAQ falling 1.6%. Treasury yields were generally lower across the curve with the 10-year yield falling 5 basis points (bps) to 3.77% and the 30-year yield decreasing 14 bps to 3.89%. Oil prices tumbled 9.6% and ended the week at \$80.38 per barrel. The U.S. dollar rose 1.1% against the Japanese yen and the euro declined 0.2% against the greenback last week.



Treasury Curve





Interest Rate Forecast*

The Federal Open Market Committee (FOMC) raised the federal funds rate target to 3.75% to 4.00% at the Fed's November policy meeting. In the statement released following the November meeting, the FOMC said, "Recent indicators point to modest growth in spending and production. 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
4 th Qtr '22	6.50	3.36	3.32	4.37	4.50	3.98	4.07	6.94
1 st Qtr '23	7.50	4.38	4.34	5.04	5.04	4.58	4.60	7.16
2 nd Qtr	7.50	4.38	4.34	4.88	4.89	4.76	4.85	7.01
3 rd Qtr	7.50	4.38	4.34	4.73	4.74	4.76	4.84	6.86
4 th Qtr	7.50	4.38	4.34	4.63	4.64	4.66	4.70	6.71

*Forecast as of October 28, 2022

FINANCIAL MARKET SUMMARY

	As of 11/18/2022	As of 11/11/2022	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.00	7.00	0	75	150
LIBOR Index Base Rate (1Month)	3.94	3.87	7	37	156
Fed Funds (Wed close)	3.83	3.83	0	75	150
TREASURIES (BE) (Changes in BPs)					
3 Months	4.32	4.28	4	23	158
6 Months	4.57	4.52	5	14	141
1 Year	4.68	4.59	9	10	142
2 Years	4.43	4.34	9	(6)	118
5 Years	3.93	3.95	(2)	(41)	82
10 Years	3.77	3.82	(5)	(44)	79
30 Years	3.89	4.03	(14)	(44)	67
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.81	3.06	(25)	(36)	61
5-Year Muni	2.84	3.08	(24)	(40)	64
10-Year Muni	2.89	3.16	(27)	(35)	42
30-Year Muni	3.65	3.94	(29)	(42)	46
30-Year Conventional Mortgage	6.61	7.08	(47)	(33)	148
MARKET INDICATORS (Changes in %)					
DJIA	33,745.69	33,747.86	(0.0)	8.6	0.1
S&P 500	3,965.34	3,992.93	(0.7)	5.7	(6.2)
NASDAQ	11,146.06	11,323.33	(1.6)	2.6	(12.3)
CRB Futures	298.37	308.26	(3.2)	1.8	(4.5)
Oil (WTI Crude)	80.38	88.96	(9.6)	(6.1)	(12.5)
Gold	1,749.04	1,769.40	(1.2)	5.4	(0.6)
Yen / Dollar	140.38	138.81	1.1	(4.9)	2.6
Dollar / Euro	1.03	1.03	(0.2)	4.7	2.8



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