



Summary

U.S. stocks ended Friday lower and all of the major indices finished in the red for the week as investors anticipated continued interest rate hikes from the FOMC meeting on Wednesday. The Dow Jones Industrial Average fell 2.8% from last week's close. The S&P 500 decreased 3.4%, and the NASDAQ declined 4.0% for the week. Last week was a busy week for economic reports. The Trade Balance

widened in October to a deficit of \$78.2 billion. Consumer credit expanded \$27.0 billion and increased at a seasonally adjusted annual rate of 6.9% in October. The Producer Price Index increased 0.3% last month and was up 7.4% from a year earlier. The Core-PPI (excluding food and energy) rose 0.4% in November and was up 6.2% year-over-year. Initial unemployment claims for the week ending December 3

increased 4,000 to 230,000. Continuing claims for the week ending November 26 climbed 62,000 to 1,671,000. Wholesale inventories rose 0.5% in November and the University of Michigan Consumer Sentiment reported a reading of 59.1, showing a marked improvement in consumer attitudes as gas prices have fallen and stock prices have climbed over the past month.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
ISM Non-Manufacturing Index (Nov – Mo 10:00)	56.5%	53.5%	
Trade Balance (Oct – Tu 10:00)	-\$78.2 Bil	-\$77.2 Bil	Imports increased \$2.2 billion from September
Consumer Credit (Oct – Tu 10:00)	+\$27.0 Bil	+\$26.5 Bil	Continued to expand despite rising interest rates
Initial Claims (12/3 – Th 08:30)	230 K	220 K	
Continuing Claims (11/26 – Th 08:30)	1,671 K	NA	
Producer Price Index (Nov – Tu 10:00)	+0.3%	+0.2%	Up 7.4% from a year ago
Core PPI (Nov – Tu 10:00)	+0.4%	+0.2%	Up 6.2% from a year ago
U. Michigan Consumer Sentiment (Nov – Tu 10:00)	59.1	57.0	Down from 70.6 a year ago
Wholesale Inventories (Nov – Tu 10:00)	+0.5%	NA	
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
Treasury Budget (Nov – Mo 2:00)	NA	-\$87.8 Bil	Not available
Consumer Price Index (Nov – Tu 08:30)	+0.3%	+0.4%	
Core CPI (Nov – Tu 08:30)	+0.3%	+0.3%	
FOMC Rate Decision (Dec – We 2:00)	4.25-4.50%	3.75-4.00%	
Retail Sales (Nov – Th 08:30)	-0.1%	+1.3%	
Initial Claims (12/10 – Th 08:30)	227 K	230 K	
Continuing Claims (12/3 – Th 08:30)	NA	1,671 K	Not available
Industrial Production (Nov – Th 09:15)	+0.1%	-0.1%	
Capacity Utilization (Nov – Th 09:15)	80.0%	79.9%	
Business Inventories (Nov – Th 10:00)	+0.4%	+0.4%	

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



Economic Review

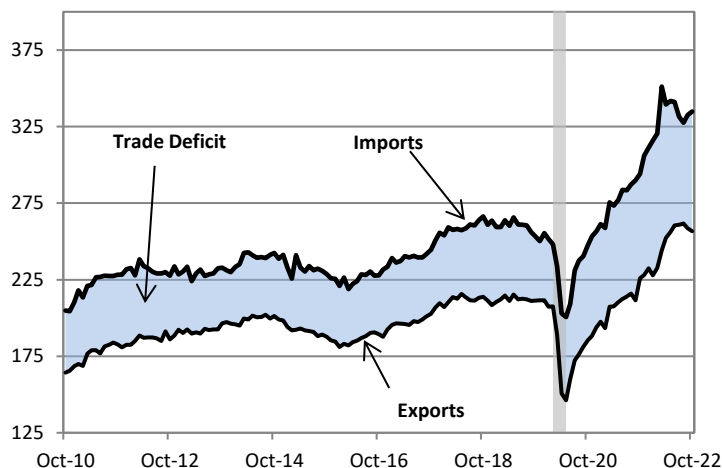
The **TRADE BALANCE** widened in October to a deficit of \$78.2 billion from a downwardly revised \$74.1 billion in September. October exports came in at \$256.6 billion and imports were \$334.8 billion. Exports of industrial supplies and materials fell \$2.4 billion. Exports of natural gas decreased \$1.4 billion. Exports of consumer goods declined \$2.0 billion, and imports of consumer goods fell \$0.6 billion. The real trade deficit widened to \$103.1 billion in October from \$101.0 billion, putting the third quarter average 2.2% higher than the second quarter average. The decline of exports and increase of imports suggests comparatively weaker economic activity abroad versus the United States.

The **PRODUCER PRICE INDEX (PPI)** for final demand rose 0.3% in November following an upwardly revised 0.3% increase in October, while the core PPI for final demand advanced 0.4% after an upwardly revised increase of 0.1% in October. From a year earlier, the index for final demand jumped 7.4% compared with 8.1% in October. The core measure was up 6.2%, compared with 6.8% in October. The PPI report demonstrates that the current inflation levels are still

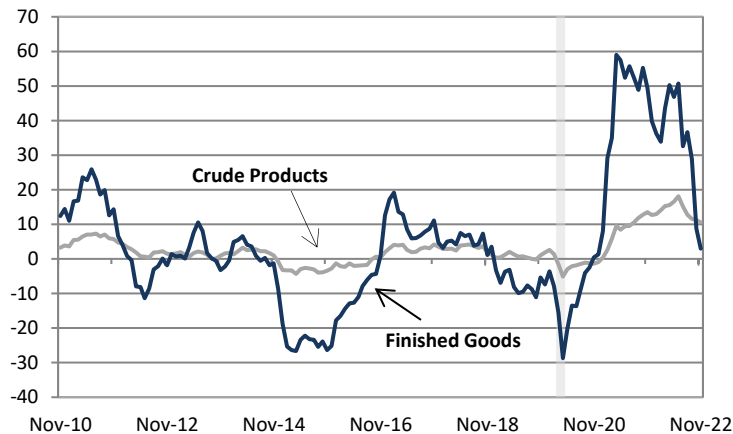
very high at the producer level but are trending downward. Consumers and producers alike will continue to look to the Federal Reserve to control inflation. A higher-than-expected PPI report will also raise concerns about this week's upcoming Consumer Price Index results.

First-time jobless claims increased last week. **INITIAL UNEMPLOYMENT CLAIMS** rose 4,000 to 230,000 for the week ending December 3. The four-week moving average was up 1,000 to 230,000. **CONTINUED BENEFITS** increased 62,000 to 1.671 million for the week ending November 26. The four-week moving average, a better measure of underlying trends, rose 43,250 to 1,582,250.

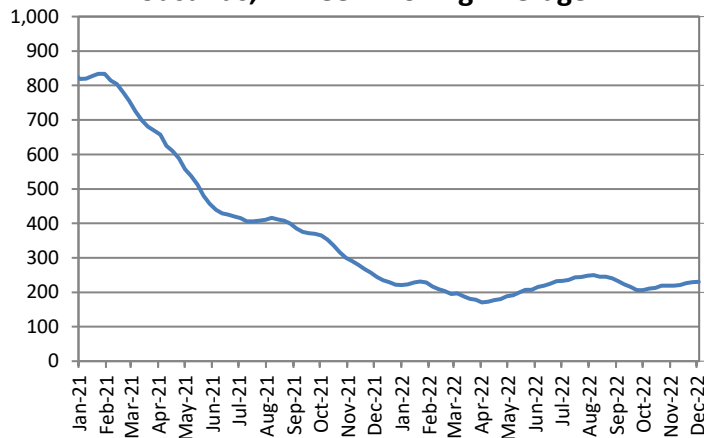
U.S. Trade Balance \$ Billions



Producer Price Index Percent Change, Year-Over-Year



Initial Unemployment Claims Thousands, 4-Week Moving Average



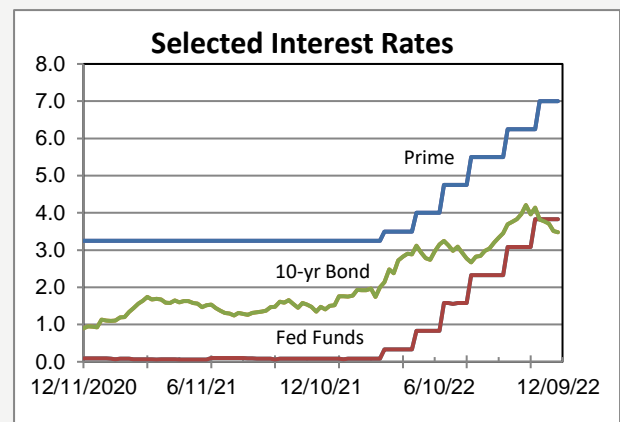


Fed Speeches

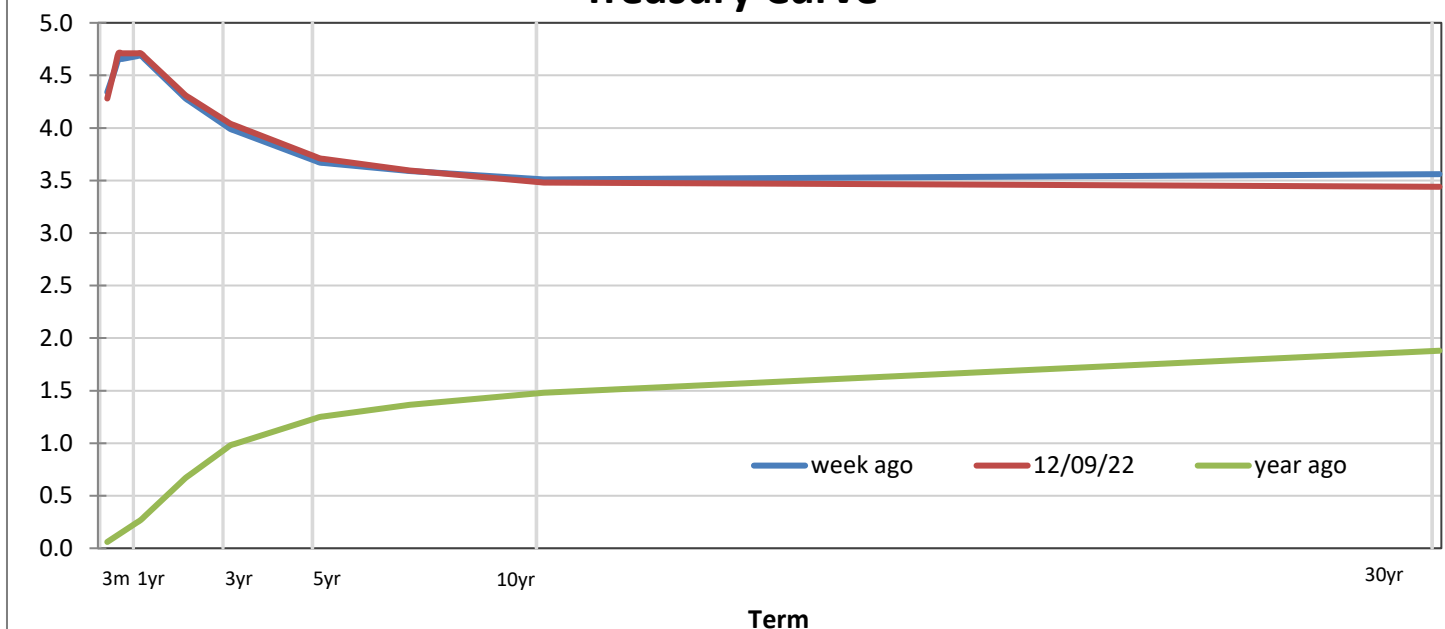
There were no speeches, testimony, or interviews by Federal Reserve officials last week relevant to monetary policy due to this week's Federal Open Market Committee meeting.

Financial Markets

U.S. stocks finished higher last week with the Dow Jones Industrial Average falling 2.8%, the S&P 500 decreasing 3.4%, and the NASDAQ declining 4.0%. Treasury yields were generally lower across the curve with the 10-year yield falling 3 basis points (bps) to 3.48% and the 30-year yield decreasing 12 bps to 3.44%. Oil prices tumbled 11.4% and ended the week at \$71.02 per barrel. The U.S. dollar rose 1.7% against the Japanese yen while the euro remained unchanged 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	6.73	3.58	3.53	4.17	4.50	4.08	4.27	6.88
1 st Qtr '23	7.58	4.46	4.40	4.80	4.87	4.55	4.75	7.00
2 nd Qtr	7.74	4.63	4.57	4.83	4.87	4.88	4.97	6.91
3 rd Qtr	7.74	4.63	4.57	4.76	4.87	4.91	5.03	6.78
4 th Qtr	7.74	4.63	4.57	4.74	4.85	4.88	4.98	6.71

*Forecast as of November 30, 2022

FINANCIAL MARKET SUMMARY

	As of 12/09/2022	As of 12/02/2022	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	7.00	7.00	0	0	150
LIBOR Index Base Rate (1Month)	4.27	4.17	10	40	150
Fed Funds (Wed close)	3.83	3.83	0	0	150
TREASURIES (BE) (Changes in BPs)					
3 Months	4.28	4.34	(6)	0	120
6 Months	4.71	4.65	6	19	119
1 Year	4.71	4.69	2	12	104
2 Years	4.31	4.28	3	(3)	75
5 Years	3.71	3.67	4	(24)	26
10 Years	3.48	3.51	(3)	(34)	15
30 Years	3.44	3.56	(12)	(59)	(3)
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.49	2.50	(1)	(57)	12
5-Year Muni	2.50	2.56	(6)	(58)	8
10-Year Muni	2.59	2.66	(7)	(49)	(14)
30-Year Muni	3.51	3.52	(1)	(43)	(3)
30-Year Conventional Mortgage	6.33	6.49	(16)	(75)	44
MARKET INDICATORS (Changes in %)					
DJIA	33,476.46	34,429.88	(2.8)	(0.8)	4.1
S&P 500	3,934.38	4,071.70	(3.4)	(1.5)	(3.3)
NASDAQ	11,004.62	11,461.50	(4.0)	(2.8)	(9.1)
CRB Futures	288.16	299.18	(3.7)	(6.5)	(5.4)
Oil (WTI Crude)	71.02	80.15	(11.4)	(23.3)	(18.4)
Gold	1,810.70	1,812.30	(0.1)	2.3	4.9
Yen / Dollar	136.56	134.30	1.7	(1.6)	(2.1)
Dollar / Euro	1.05	1.05	0.0	1.9	5.4



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