



Summary

U.S. stocks continued to fall on Friday, capping off a weeklong decline that was initiated by a worse-than-expected consumer price index report. For the week, the Dow Jones Industrial Average fell by 4.16%, the S&P 500 declined 5.15%, and the NASDAQ dropped 5.97%. Last week was a busy week for economic data. Core consumer prices rose +0.1% in August from

last month and are up 6.3% on a year-over-year basis. Producer prices fell by 0.1% in August compared to the previous month. Retail sales had a slight increase month-over-month; but excluding automobiles sales, they declined 0.3% for the month—showing little revival in consumer spending. Lower levels of initial claims (down 5,000 for the week ending September 10) point

to a tight labor market. Continuing claims increased by 2,000 to 1.403 million. Total industrial production and capacity utilization both decreased in August, a result of slow growth in manufacturing output. The index of consumer sentiment from the University of Michigan slightly increased from 58.2 in August to 59.5 in September.

ECONOMIC RELEASES

Last Week: Indicator	Number Reported	Consensus Expectation*	Comment
Consumer Price Index (Aug – Tu 8:30)	+0.1%	-0.1%	Increased CPI indicates a likely +75 bp FOMC rate hike
Core Consumer Price Index (Aug – Tu 8:30)	+0.6%	+0.3%	6.3% YOY increase (vs. 5.9% in July)
Producer Price Index (Aug – We 8:30)	-0.1%	-0.1%	Decreased month-over-month
Core Producer Price Index (Aug – We 8:30)	+0.4%	+0.3%	
Retail Sales (Aug – Th 8:30)	+0.3%	+0.0%	Up 0.3% month-over-month
Retail Sales ex-auto (Aug – Th 8:30)	-.03%	+0.0%	Declined 0.3% month-over-month
Initial Unemployment Claims (9/10 – Th 8:30)	213K	233K	Decreased by 5,000 from last week
Continuing Claims (9/3 – Th 8:30)	1,403K	NA	Increased by 2,000 from last week
Industrial Production (Aug – Th 9:15)	-0.2%	+0.0%	Very little growth, could not offset -2.3% utilities index
Capacity Utilization (Aug – Th 9:15)	80.0%	80.3%	Dropped by 0.3% from July
Business Inventories (Jul – Th 10:00)	+0.6%	+0.6%	
Michigan Sentiment (Sep – Fr 10:00)	59.5	60.0	1 year ago: Michigan Sentiment was at 72.8
Upcoming Week: Indicator	Consensus Expectation*	Last Period	Comment
NAHB Housing Market Index (Sep – Mo 10:00)	48	49	
Housing Starts (Aug – Tu 8:30)	1448K	1446K	Lowest levels since early 2021
Building Permits (Aug – Tu 8:30)	1610K	1674K	Receding from highs seen previously in 2022
Existing Home Sales (Aug – We 10:00)	4.70M	4.81M	
FOMC Rate Decision (Sep – We 2:00)	3.00-3.25%	2.375%	Expecting 75 bp hike
Initial Claims	220K	213K	
Continuing Claims	NA	1403K	
Leading Economic Index	-0.1%	-0.4%	

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



Economic Review

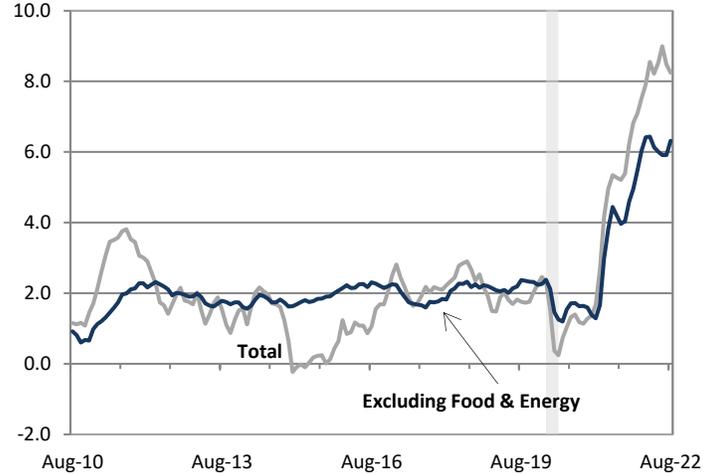
The CONSUMER PRICE INDEX (CPI) grew 0.1% in August and core consumer prices rose 0.6%. Consumer food prices increased 0.8% while energy prices dropped 5.0%. The energy index, however, is still up 23.8% year-over-year. The food index is also 11.4% higher than a year ago. Overall consumer prices were up 8.3% from August 2021, compared with a 6.3% increase for core consumer prices. The slightly higher than expected increase in consumer prices last month suggests the Federal Reserve will continue aggressively raising the target range for the federal funds rate, which will be announced this week on September 21.

Sales at U.S. retailers rose slightly more than expected in August. RETAIL SALES (seasonally adjusted) increased 0.3% last month after a downwardly revised 0.4% decline in July. Retail sales (excluding automobiles) declined 0.3% month-over-month after a downward revision of July. Motor vehicle and parts dealers' sales increased 2.8% month-over-month, but gasoline station sales declined 4.2% in August after a 2.3% decline in July. Sales at food services and drinking places rebounded from a 0.8%

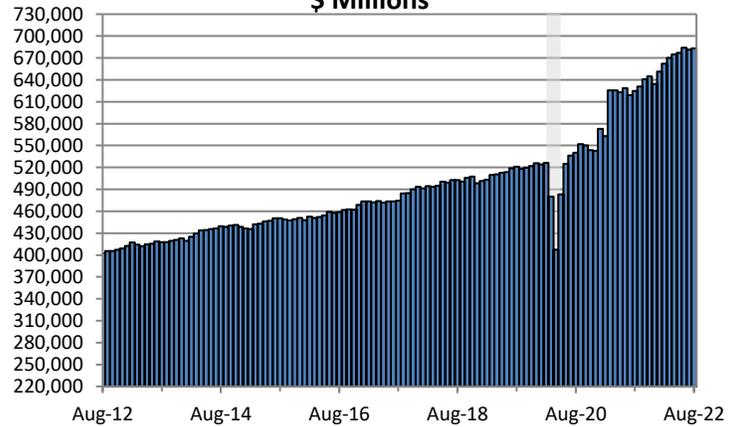
decline in July to a 1.1% increase in August.

INDUSTRIAL PRODUCTION fell 0.2% in August, short of economists' expectations of a steady 0.0% change. The CAPACITY UTILIZATION rate dropped to 80% in August after posting a downwardly revised 80.2% in July. Manufacturing output grew 0.1% in August and motor vehicle assemblies increased 1.0% month-over-month, which put the seasonally adjusted annual rate for vehicles at 10.48 million units. Mining production stayed stagnant after growing by 1.0% in July. Utilities output dropped 2.3%, which followed a 1.2% decrease in July. Year-over-year, total industrial production was up 3.7% and the capacity utilization rate (80.0%) was a slight 0.4 percentage point under its long-run average.

Consumer Price Index
Percent Change, Year-Over-Year



Retail Sales
\$ Millions



Industrial Production
Percent Change, Year-Over-Year





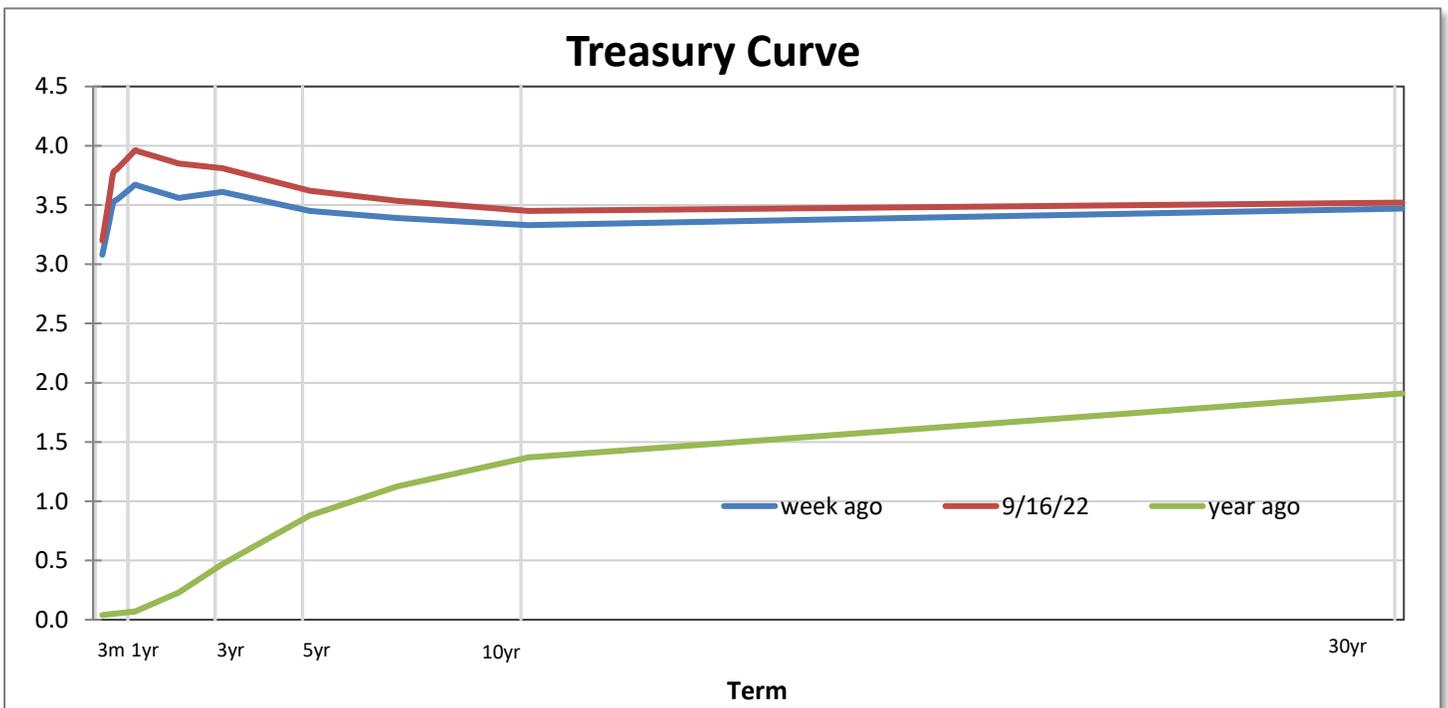
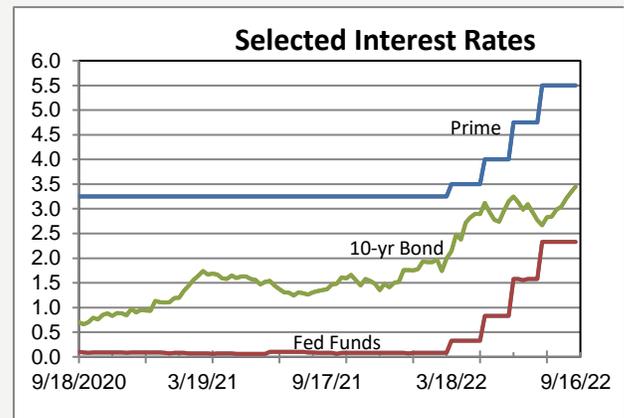
Fed Speeches

There were no speeches, testimony, or interviews by Federal Reserve officials last week relevant to monetary policy.

This is due to the Federal Open Market Committee meeting this week.

Financial Markets

U.S. stocks ended last week lower as the Dow Jones Industrial Average fell by 4.16%, the S&P 500 declined 5.15%, and the NASDAQ dropped 5.97%. Treasury yields were higher across the curve; the 10-year yield rose 12 basis points (bps) to 3.45% and the 30-year yield increased 5 bps to 3.52%. Oil prices were down 1.3% and ended the week at \$85.11 per barrel. The U.S. dollar advanced 2.4% against the Japanese yen while the euro rose a minor 0.2% against the dollar last week.





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 9/16/2022	As of 9/09/2022	Weekly Change	4-Week Change	13-Week Change
MONEY MARKETS (Changes in BPs)					
Prime	5.50	5.50	0	0	75
LIBOR Index Base Rate (1Month)	2.99	2.77	22	61	148
Fed Funds (Wed close)	2.33	2.33	0	0	75
TREASURIES (BE) (Changes in BPs)					
3 Months	3.20	3.08	12	46	157
6 Months	3.77	3.52	25	61	152
1 Year	3.96	3.67	29	70	110
2 Years	3.85	3.56	29	60	68
5 Years	3.62	3.45	17	51	28
10 Years	3.45	3.33	12	47	20
30 Years	3.52	3.47	5	30	22
MUNICIPALS- AAA G.O. & Mortgage (Changes in BPs)					
2-Year Muni	2.51	2.37	14	31	45
5-Year Muni	2.56	2.42	14	36	15
10-Year Muni	2.86	2.73	13	66	(5)
30-Year Muni	3.66	3.54	12	47	23
30-Year Conventional Mortgage	6.02	5.89	13	89	24
MARKET INDICATORS (Changes in %)					
DJIA	30,822.42	32,151.71	(4.1)	(8.6)	3.1
S&P 500	3,873.33	4,067.36	(4.8)	(8.4)	5.4
NASDAQ	11,448.40	12,112.31	(5.5)	(9.9)	6.0
CRB Futures	299.11	304.55	(1.8)	(4.3)	(9.2)
Oil (WTI Crude)	85.11	86.23	(1.3)	(5.6)	(22.6)
Gold	1,683.50	1,726.90	(2.5)	(4.4)	(8.6)
Yen / Dollar	142.92	139.56	2.4	4.5	5.9
Dollar / Euro	1.00	1.00	0.2	(0.3)	(4.6)



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