

Week of January 23rd Updates

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Markets Overview

	Week Open	Week Close	% Change	YTD
S&P 500	3,978.14	4,070.56	+2.32%	+6.44%
Nasdaq	11,171.94	11,621.71	+4.03%	+11.89%
Dow	33,439.56	33,978.08	+1.61%	+2.54%
Gold	1,926.50	1,920.35	+2.91%	+5.09%
WTI Crude Oil	81.24	79.68	-1.92%	+3.66%
10 Year Treasury	3.52%	3.52%	0 bps	-27 bps

Central Banking

Bank of Canada Paused Rate Changes

- On Wednesday, the Bank of Canada raised interest rates by a quarter point to 4.50% (the highest it has been in over 15 years)
 - o This is important because they are one of the first central banks among major developed-world economies to declare that they're done raising rates for now
- It seems like all over the world central banks are dealing with the same problem of balancing the risks between raising rates aggressively and triggering a recession vs. raising them too slowly and allowing inflation to stay elevated
 - o Even Japan raised their rates to 0.5%
 - Very significant because they are the only major developed nation to have not increased rates for a long time
- Canada's CPI has cooled to 6.3% in December from a peak of 8.1% in June

Economy

Consumer Spending

- Consumer spending fell 0.2% in December (0.3% if adjusted for inflation) from the prior month
 - This is the second straight monthly drop following increases in spending over numerous months last year
 - Households cut spending on goods like gasoline and energy products but increased spending on services
 - Interesting point because the prices for gasoline fell during that time while prices climbed for services
- Important figures:
 - The PCE rose 5% in December from a year earlier
 - This figure was 5.5% in November
 - The core PCE (PCE minus volatile food and energy prices, rose 4.4% in December from a year earlier
 - As compared to 4.7% in November
 - December's figure was the slowest pace since October 2021
 - PCE rose 0.1% in December from the prior month; core PCE rose 0.3%
- The previous figures show that the Fed will still be on track to raise interest rates by a quarter-percentage point to a range between 4.5% and 4.75%
- It's also important to note that the personal saving rate increased to 3.4% in December from 2.9% in November
 - Meaning consumers earned more and spent less

→ What does this mean?

1. Prices are still high overall, and consumers are becoming more and more unwilling to pay these prices
2. Due to this, consumers have started to save more
3. The Fed will still raise rates (although much less) to ensure that inflation decreases

Jobless Claims and the Labor Market

- Initial jobless claims (a proxy for layoffs) came out to 186k
 - The four-week moving average of weekly claims was 197,500
 - In 2019, claims averaged about 220,000 a week
 - These are interesting figures because they stand in contrast to the layoff announcements we see from large companies (Goldman Sachs, Amazon, etc.)
- The growing number of layoff announcements may be better reflected in upcoming jobless claims numbers
 - Workers technically can't seek jobless benefits until after they have fully separated from the company, which can be weeks after the actual layoff announcement
 - Also, a lot of high-skilled workers could find new jobs quickly in a tight labor market and just forgo receiving any benefits
- Continuing claims (which reflects the number of people seeking ongoing unemployment) ticked up to 1.675 million
- The labor market is still strong overall but has slowed down in recent months
 - Employers added 223,000 jobs in December (smallest gain in two years)
- There were 10.5 million job openings in November, which far exceeds the number of unemployed Americans seeking work

→ What does this mean?

1. Since there is a lag with claims, expect upcoming numbers to be higher as it will better reflect recent layoffs
2. Clear sign of a mismatch between employers and employees because:
 - Less jobs were added in December
 - There are still a ton of job openings