AUGUST 2022

Capital Markets Commentary

MEEDER

- » Inflation Remains Hot
- » Federal Reserve Update
- » U.S. Manufacturing Remains Solid

An Ugly Month for the Markets

INFLATION RUNS HOT

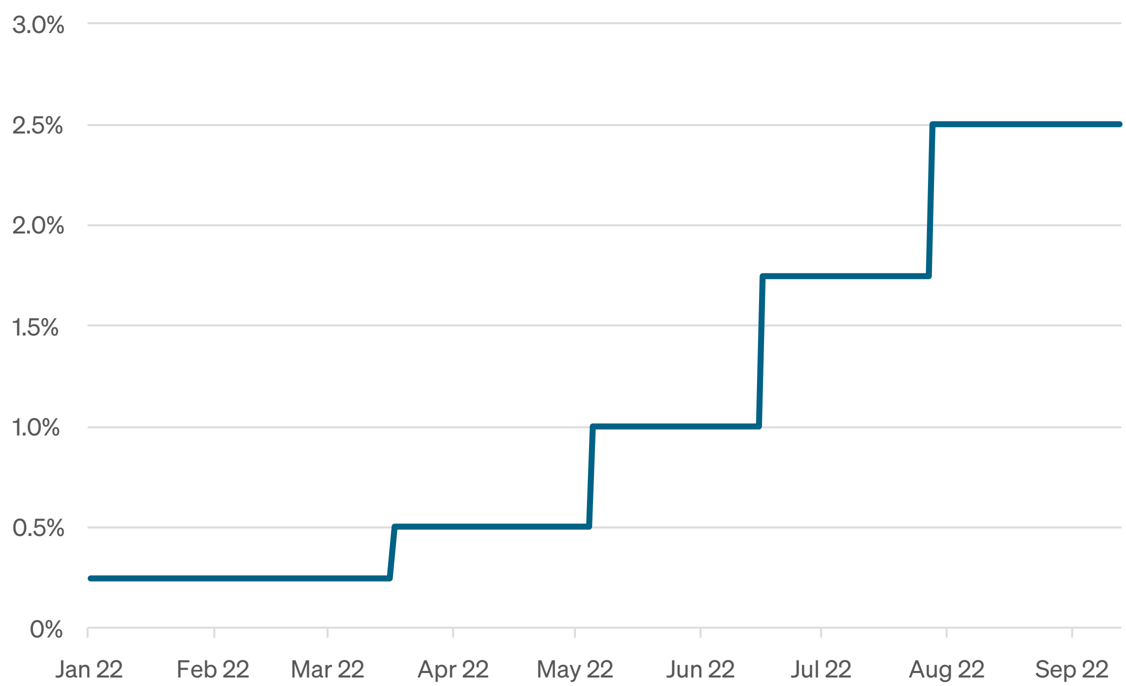
Inflation for August showed no signs of easing as CPI increased 0.1% for the month. This brought the year-over-year change to 8.3%, despite gasoline costs declining sharply. These declines were offset by increases in medical care, food, and shelter. The uncertainty on when inflation will start to subside continues to cloud the investment outlook and is causing confidence to remain low.

The equity market produced mixed performance results among growth and value styles but ended the month essentially flat. The S&P 500 Index is down -14% year-to-date, while bonds continue to struggle amid the Fed's rising rate environment and declined -2% in August. This year, fixed income securities, as represented by the Bloomberg U.S. Aggregate Index, are having an incredibly challenging year and are down more than -10%.

FEDERAL RESERVE UPDATE

The Federal Reserve held its annual meeting at Jackson Hole, Wyoming this month and reiterated its commitment to reducing inflation. The market was expecting stern guidance, and that is exactly what Powell delivered. Fed Chair Jerome Powell was steadfast in his speech at Jackson Hole last month where he said, "Restoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy." Additionally, he said, "While higher interest rates, slower growth, and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses." Reducing inflation will provide some headwinds to the economy that is sure to produce below-trend growth. Below is a visual illustration of the economic headwinds that the Fed has created since the beginning of this year.

FED FUNDS TARGET RATE: UPPER LIMIT



SOURCE: FRED

For many Americans, below trend growth is concerning because, as of July, according to LendingClub, more than 59% of Americans are living paycheck to paycheck. The Federal Open Market Committee will meet again on September 20–21 where the marketplace is expecting another 0.75% hike in the Federal Funds rate.

The U.S. economy added 315,000 jobs in August exceeding market expectations of 300,000, but the unemployment rate rose slightly to 3.7%. Also, the BLS reported that 11.24 million job openings were available in July, which was 1 million more than estimated. This data indicates that the job market is still extremely tight in the U.S. with nearly twice as many job openings as there are available workers.

MANUFACTURING REMAINS SOLID

Manufacturing levels maintained their strength over the last month. When looking at the Services, ISM Non-Manufacturing PMI Index beat consensus estimates of 55.1 with a result of 56.9 for August. This was the strongest level of growth in the last several months. Manufacturers, as represented in the ISM Manufacturing PMI survey, held steady with an index reading of 52.8 in the month of August, in line with estimates. Both indices continued to show expansion as their levels were above 50.

Oil prices continue to fall as worries of a global recession loom for investors. WTI crude ended August trading at $86 a barrel. While this decline is helping to ease the concerns of those focused on inflation, the long-term strength of the economy continues to be in question. Shortly after August, OPEC producers decided to implement a cut in production of 100,000 barrels per day.

MEEDER

6125 Memorial Drive, Dublin, Ohio 43017 | 1.866.633.3371 | meederinvestment.com

0116-MAM-9/15/22-13399