

Last Week at a Glance

Global equities and bonds suffered heavy losses last week, as investors grappled with decisions made by multiple central banks to tighten monetary policies. Aimed at addressing inflation, the central bank actions raised concerns for many investors about their impact on economic activity. In addition to large equity and bond moves, major currencies sold off relative to the US dollar, with the UK sterling falling to levels not seen since 1985.

- The Federal Reserve increased its target range for the Fed funds rate by 75 basis points (bps) to 3.00%–3.25% and unveiled new forecasts that indicated the terminal rate would need to rise to 4.6% in 2023 to address inflation. Although widely expected, the decision prompted many US real and nominal interest rates to increase to new cyclical highs.
- The Bank of England raised its key rate by 50 bps to 2.25% and said it would begin actively selling assets it bought under its quantitative easing program. The following day, the new UK government announced extensive tax cuts for both businesses and individuals. Taken together, the actions prompted a large sell-off in UK sterling and gilts.
- Japan intervened to support the yen for the first time since 1998. The yen has lost considerable value relative to the US dollar this year, as interest rate differentials between the respective countries have widened. The intervention came as the Bank of Japan insisted it would maintain its negative rate policy.
- Private sector business activity contracted in the euro area, the United Kingdom, and the United States in September, according to flash PMI data released by S&P Global. Forward-looking data, such as new orders, were weaker in Europe than in the United States.

MARKET PERFORMANCE

As of September 25, 2022 • Local Currency • Percent (%)

Equities	Last Week	This Month	This Year
Global	-4.2	-6.1	-19.8
Developed Markets	-4.4	-6.0	-19.9
United States	-4.8	-6.7	-22.9
Euro Area	-4.7	-5.4	-21.6
United Kingdom	-2.8	-3.3	0.4
Japan	-1.3	-2.7	-3.8
Emerging Markets	-3.2	-6.8	-18.5
Fixed Income			
US Aggregate	-1.6	-3.4	-13.8
US Treasuries	-1.2	-2.8	-12.5
US Corporate IG	-1.6	-3.4	-17.2
US Corporate HY	-1.7	-2.6	-13.6
Real Assets			
Global Equity REITs	-6.1	-9.2	-24.7
Global Natural Resources	-6.1	-7.3	9.7
Gold Bullion	-1.9	-4.4	-9.8
Currencies			
EUR/USD	-3.2	-3.5	-14.7
GBP/USD	-4.6	-6.3	-19.5
USD/JPY	0.2	3.4	24.4