

Weekly Report

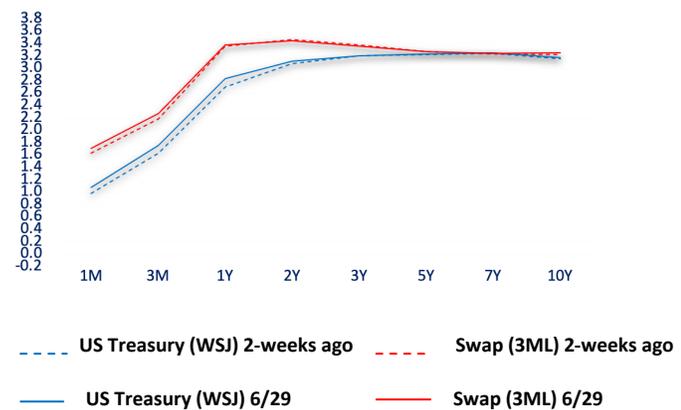


Highlight of the Week:

ECB To Raise Rates By .25%

- According to European Central Bank President Christine Lagarde, interest rates will gradually increase to combat inflation. Plans include raising rates by 25 basis points in July, bringing rates to minus .25%.
- Experts believed the ECB would follow the lead of other central banks worldwide. Australia, Canada, New Zealand, and Norway have already increased rates by .5% and the Federal Reserve raised rates by .75% in June.
- Lagarde described approach as a necessity to cope with the significant economic blow Europe is dealing with from surging energy prices due to the war in Ukraine.

Rate Curves:



Sources: WSJ and BMO Capital Markets

Rapid Report:



Home-Price Growth Offers Mixed Outlook

- Since the beginning of this year, skyrocketing mortgages have cut some buyers from the home-buying market, but the demand for homes still exceeds the supply. According to Redfin Corp, nearly 60% of the homes sold in May closed above their listing price.
- Economists do believe red hot demand for houses will cool in upcoming months as the Federal Reserve will continue to increase interest rates, lowering the spending power of consumers.
- The S&P CoreLogic Case-Shiller National Home Price Index, an index gauging average home prices in metropolitan areas, reported that home prices YTD rose 20.4% in April, down from 20.6% in March. The Case-Shiller reports on a two-month delay.

An Outlook On Consumers As Fed Aims to Limit Spending Power

- As the Fed implements quantitative tightening policies to limit consumer spending to curtail inflation, consumer spending moves into the spotlight. Retail gasoline is up 58% yearly, the average lowest airfare is +14% year-over-year, and hotel rates are +23% year-over-year.
- The American Automobile Association predicts 47.9 million people will be traveling 50 or more miles this upcoming Independence Day Holiday, nearing pre-pandemic levels. Additionally, according to TSA checkpoint data, 2.4 million people passed through TSA checkpoints last Friday, the highest level since before the onset of the COVID-19 pandemic. This is bad news as the Federal Reserve will be looking for consumers to ease their spending this summer.
- Later this week, the Consumption Expenditure Prices, the index favored by the Fed to evaluate inflation, will release its data. If the CPE follows suit with a steep incline preceded by the CPI, the Federal Reserve will almost certainly implement a 75-basis point interest rate hike in July.