

**In focus**

For many, 2022 will be remembered as one of the most complex market environments in decades. Global markets came under pressure as inflation saw a resurgence worldwide, global central banks embarked on one of the most aggressive tightening cycles in decades, and Russia launched a full-scale invasion against Ukraine.

Within global equity markets, international developed markets outperformed both U.S. and emerging markets. The S&P 500 recorded its worst year since 2008 and its sixth down year since the turn of the century.

U.S. core bonds declined 13%, the worst year since the inception of the Bloomberg U.S. Aggregate index in 1976. Among the main U.S. fixed income asset classes, high yield corporate bonds performed the best while investment grade corporate bonds lagged. The one-two punch of declining stocks and bonds posed a headwind for diversified investors as the traditional 60/40 portfolio declined nearly 16%.

The silver lining of 2022 was that the reset in valuations should benefit longer-term investors. While stocks were off their lows and yields came down from the highs, our work suggests these improved starting points should lead to better returns for many asset classes. Yet, on a near-term basis, we expect choppy waters to continue given economic and earnings risk.

As we turn the page and begin the new year, we see three keys for investors in 2023 – remain defensive, remain tactical, and remain open-minded. To go deeper, please see [our annual outlook](#).

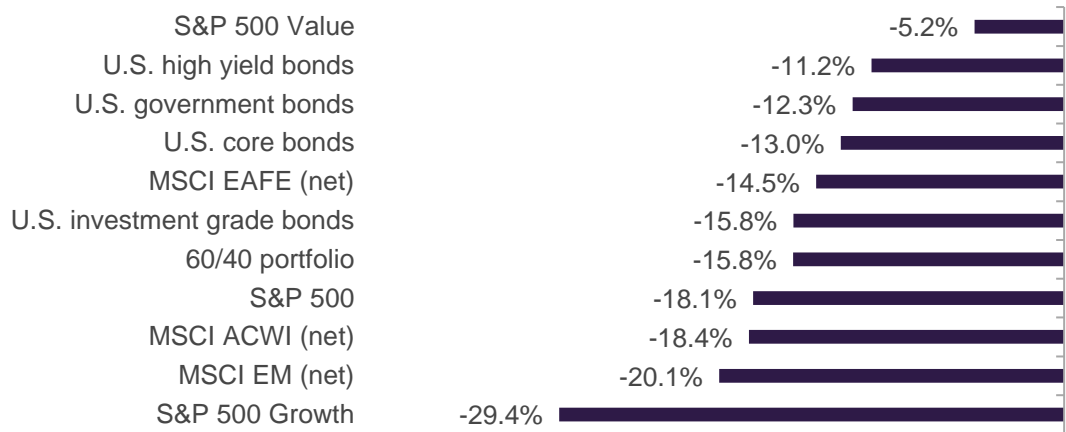
**A look back**

- Global equities finished the week roughly unchanged. U.S. stocks fell for the fourth-consecutive week while international developed and emerging market stocks finished in positive territory.
- U.S. yields continued their upward march to end the year. The 10-year U.S. Treasury yield increased by 13 basis points (0.13%) while the 2-year yield increased by 11 basis points. The 2/10-year yield curve remains inverted by 55 basis points.

**A look ahead**

- The Federal Reserve’s (Fed) meeting minutes from December will be released on Wednesday. Investors will look for any clues about the magnitude and timeline of future monetary policy.
- Fed Governor Lisa Cook will give a speech on inflation on Friday.
- Economic releases: S&P Global U.S. & ISM Manufacturing, FOMC meeting minutes, Nonfarm Payrolls, Durable Goods Orders, and the Unemployment Rate.

**Chart of the week – A review of 2022**  
**Select asset class total return in 2022**



Data source: Truist IAG, Morningstar, MSCI. U.S. high yield bonds = ICE BofA High Yield, U.S. government bonds = Bloomberg U.S. Government, U.S. core bonds = Bloomberg U.S. Agg, U.S. investment grade bonds = Bloomberg Corporate Investment Grade, 60/40 portfolio = 60% S&P 500, 40% Bloomberg U.S. Agg (rebalanced monthly).



# Market Pulse

As of December 30, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.03	-3.94	9.76	-18.36	-18.36
S&P 500	-0.11	-5.76	7.56	-18.11	-18.11
MSCI EAFE (net)	0.06	0.08	17.34	-14.45	-14.45
MSCI Emerging Markets (net)	0.30	-1.41	9.70	-20.09	-20.09
Dow Jones Industrials	-0.17	-4.09	16.01	-6.86	-6.86
Bloomberg Commodity Index	0.31	-2.45	2.22	16.09	16.09
Bloomberg Aggregate	-0.65	-0.45	1.87	-13.01	-13.01
ICE BofA US High Yield	-0.97	-0.76	3.98	-11.22	-11.22
Bloomberg Municipal Bond Blend 1-15 Year	-0.13	0.47	3.59	-5.95	-5.95
ICE BofA Global Government xUS (USD Unhedged)	-0.18	1.02	7.28	-21.70	-21.70
ICE BofA Global Government xUS (USD Hedged)	-0.56	-2.61	-0.55	-11.62	-11.62
JP Morgan EMBI Global Diversified	-0.59	0.33	8.11	-17.78	-17.78

Rates (%)	12/30/22	9/30/22	6/30/22	3/31/22	12/31/21
Fed Funds Target	4.50	3.25	1.75	0.50	0.25
Libor, 3-Month	4.76	3.75	2.28	0.96	0.20
T-Bill, 3-Month	4.41	3.23	1.64	0.51	0.05
2-Year Treasury	4.41	4.20	2.93	2.28	0.72
5-Year Treasury	4.00	4.03	3.00	2.42	1.26
10-Year Treasury	3.87	3.79	2.97	2.32	1.51
30-Year Treasury	3.96	3.76	3.12	2.45	1.90
Bloomberg Aggregate (YTW)	4.68	4.75	3.72	2.92	1.75
Bloomberg Municipal Bond Blend 1-15 Year	3.18	3.73	2.82	2.36	0.87
ICE BofA US High Yield	8.95	9.58	8.93	6.02	4.31
Currencies	12/30/22	9/30/22	6/30/22	3/31/22	12/31/21
Euro (\$/€)	1.07	0.98	1.05	1.11	1.14
Yen (¥/\$)	131.95	144.75	135.86	121.37	115.16
Pound (\$/£)	1.20	1.12	1.21	1.32	1.35
Commodities	12/30/22	9/30/22	6/30/22	3/31/22	12/31/21
Crude Oil (WTI)	80.26	79.49	105.76	100.28	75.21
Gold	1,826	1,672	1,807	1,954	1,829
Volatility	12/30/22	9/30/22	6/30/22	3/31/22	12/31/21
CBOE VIX	21.67	31.62	28.71	20.56	17.22

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
0.27	-0.11	-0.46	-5.22	-18.11	-29.41	Large
0.30	-0.13	-0.54	-6.93	-13.06	-18.96	Mid
0.16	-0.20	-0.54	-11.04	-16.10	-21.08	Small

Data Source: Truist, FactSet



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Commonly used acronyms— SAAR = seasonally adjusted annual rate— MoM = month-over-month change— QoQ = quarter-over-quarter change— YoY = Year-over-year change— K = thousands— M = millions. Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk— investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations— bond prices generally fall as interest rates rise, and values rise when interest rates decline.

S&P 500 Index is comprised of 500 widely-held securities considered to be representative of the stock market in general.

S&P 500 Information Technology Index –a capitalization-weighted index that is composed of those companies included in the S&P 500 that are classified as members of the information technology sector based on GICS® classification.

The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

MSCI ACWI Index (MSCI All Country World) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 45 country indices comprising 24 developed and 21 emerging market country indices.

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada.

MSCI EM Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq.

The ICE BofAML U.S. High Yield Index tracks the performance of below investment grade, but not in default, U.S. dollar denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P.

The Bloomberg Municipal Bond Blend 1-15 Year (1-17 Yr) is an index of municipal bonds with a minimum credit rating of at least Baa, issued as part of a deal of at least \$50 million, that have a maturity value of at least \$5 million and a maturity range of 12 to 17 years.

The Bloomberg U.S. Corporate High Yield measures the USD-denominated high yield fixed-rate corporate bond market. Bonds are classified as high yield if they are rated below BBB by Moody's and S&P.

The Bloomberg Dollar Spot Index tracks a basket of 10 leading global currencies versus the U.S. dollar.

The ICE BofAML Global Government ex U.S. Index tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency excluding all securities denominated in U.S. dollars.

JP Morgan EMBI Global Diversified index includes only USD-denominated emerging markets sovereign bonds and the traditional, market capitalization weighted method for country allocation is modified to limit the weights of index countries with larger debt loads by only including a specified portion of the eligible fact amounts of the debt outstanding.

The Bloomberg Commodity Index is a composition of futures contracts on physical commodities in five sectors including energy, agriculture, industrial metals, precious metals and livestock.

The S&P U.S. REIT index measures the investable universe of publicly traded real estate investment trusts domiciled in the United States.

IA SBBBI U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBBI Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBBI U.S. 30-day T-Bill index measures the total return of T-Bills with a maturity of one month on a monthly basis.

The S&P 500 High Beta index measures the performance of 100 constituents in the S&P 500 that are the most sensitive to changes in market returns.

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