

Market Pulse *from the Investment Advisory Group*

January 17, 2023

In focus

Investors were fixated on inflation last week, with all eyes on the December Consumer Price Index (CPI) report released on Thursday. Markets responded favorably to the data as yields dropped, and the S&P 500 finished the week up 2.7%. This was the second-straight winning week to open the year.

The CPI report showed headline inflation rose 6.5% year over year, marking the sixth-straight month of deceleration. Core CPI also slowed on a year-over-year basis. A University of Michigan survey showed that consumer inflation expectations have dropped, with consumers now expecting prices to rise by 4.0% over the next twelve months, the lowest number since June 2021. The Federal Reserve (Fed) will likely be pleased with this trend with roughly two weeks until its next meeting, and markets are now more confident the central bank will again slow rate hikes. Futures prices now imply over a 90% probability of a 0.25% increase, which would be the smallest hike since March 2022. Investors will get a glimpse into how recent monetary tightening has affected companies with earnings season starting last Friday and ratcheting up this week.

Big banks were in the spotlight on the first day of earnings season, delivering mixed results. Themes included cautious guidance and significant provisions for loan losses to prepare for a potential recession. On top of corporate earnings, retail sales data will be in focus this week, providing another signal on the health of the U.S. economy.

A look back

- Equity markets finished mostly in the green last week. The S&P 500 was up roughly 2.7% while international developed and emerging markets were up over 4%.
- Yields across the curve dropped mildly, and the 2-/10-year inversion widened to -0.73%.
- Headline CPI rose 6.5% on a year-over-year basis, and core inflation increased by 0.3% in December. Both numbers were as expected and marked a deceleration from November.

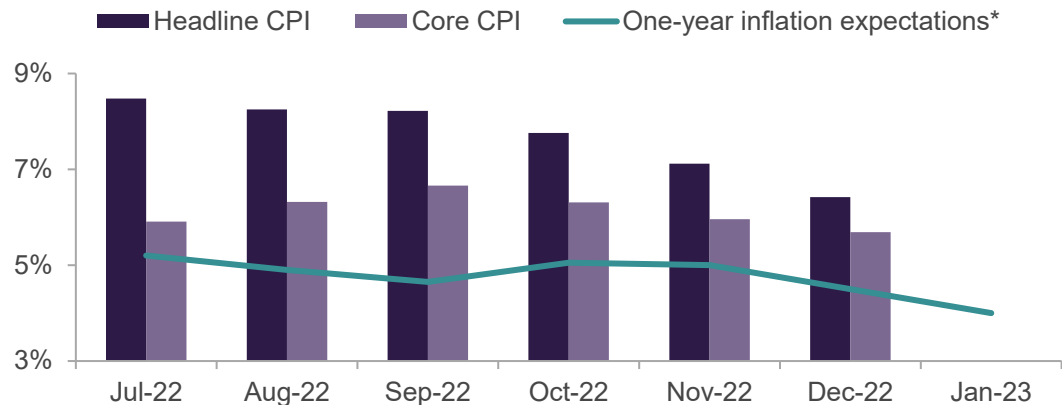
A look ahead

- Earnings season kicks off in earnest this week. Numerous financial companies will report Q4 results.
- Investors will monitor the Producer Price Index (PPI) and retail sales data for more insight on the path of inflation and the economy.
- Economic releases: PPI, Retail Sales, Housing Starts, Existing Home Sales, Empire Manufacturing, Industrial Production.

Chart of the week – CPI and consumer inflation expectations dropping

After headline inflation peaked in July, the year-over-year change in core prices has now fallen for three-straight months. Inflation expectations are following suit, as consumers now expect prices to increase by 4.0% over the next year, the lowest level in 18 months.

Year-over-year CPI and inflation expectations



*One-year inflation expectations according to the University of Michigan consumer survey

Data Source: Truist IAG, FactSet



Wealth

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As of January 13, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	3.37	5.44	5.44	5.44	-12.96
S&P 500	2.71	4.22	4.22	4.22	-12.69
MSCI EAFE (net)	4.25	7.04	7.04	7.04	-9.33
MSCI Emerging Markets (net)	4.18	7.71	7.71	7.71	-16.03
Dow Jones Industrials	2.01	3.54	3.54	3.54	-3.00
Bloomberg Commodity Index	3.30	-0.92	-0.92	-0.92	10.65
Bloomberg Aggregate	0.88	2.74	2.74	2.74	-9.41
ICE BofA US High Yield	1.59	3.91	3.91	3.91	-7.16
Bloomberg Municipal Bond Blend 1-15 Year	0.86	1.70	1.70	1.70	-3.54
ICE BofA Global Government xUS (USD Unhedged)	2.98	3.72	3.72	3.72	-19.08
ICE BofA Global Government xUS (USD Hedged)	0.38	1.52	1.52	1.52	-9.90

Rates (%)	1/13/23	12/30/22	9/30/22	6/30/22	3/31/22
Fed Funds Target	4.50	4.50	3.25	1.75	0.50
Libor, 3-Month	4.79	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.61	4.41	3.23	1.64	0.51
2-Year Treasury	4.21	4.41	4.20	2.93	2.28
5-Year Treasury	3.61	4.00	4.03	3.00	2.42
10-Year Treasury	3.50	3.87	3.79	2.97	2.32
30-Year Treasury	3.62	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.32	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	2.80	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.12	8.95	9.58	8.93	6.02
Currencies	1/13/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.08	1.07	0.98	1.05	1.11
Yen (¥/\$)	127.52	131.95	144.75	135.86	121.37
Pound (\$/£)	1.22	1.20	1.12	1.21	1.32
Commodities	1/13/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	79.86	80.26	79.49	105.76	100.28
Gold	1,922	1,826	1,672	1,807	1,954
Volatility	1/13/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	18.35	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
2.67	2.71	2.75	5.74	4.22	2.82	Large
4.05	3.67	3.30	7.70	6.24	4.83	Mid
4.69	4.50	4.32	8.21	7.08	6.04	Small

Data Source: Truist, FactSet



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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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