

In focus

For many months, good news economically has meant bad news for markets and vice versa. This is mainly because a robust U.S. economy poses a challenge to the Federal Reserve (Fed) as it tries to cool inflation. Markets feared that if the jobs market or consumer spending stayed too strong, the Fed would keep rates higher for longer. Last week markets didn't react this way though.

Retail sales numbers were released for the month of December and showed another month of falling spending. The Producer Price Index also showed signs of cooling in prices. Both releases would indicate that the Fed may not have to raise rates as aggressively anymore and if those trends continue, may not have to go as high. Both typically would have been rejoiced by markets last year, but instead last week, bad news was bad news. The S&P 500 dropped on the news and was down on the week overall. Economic growth concerns outweighed the potential of the Fed being more dovish.

At the same time, bond yields fell (bond prices rose) on the news. The Treasury market thought that the Fed may not have to be as aggressive and that demand for safe haven assets may yet return if growth concerns become the more important factor compared to inflation. This week's data releases of fourth quarter GDP and the Personal Consumption Expenditures (PCE) inflation data will be another test to see if markets interpret these as good or bad news.

A look back

- International markets remained hotter than the U.S. as the MSCI EAFE index rose by 0.6% while the S&P 500 dropped by -0.7%.
- The 10-year U.S. Treasury yield dropped to its lowest point since September and further inverted the 3-month/10-year yield curve.
- U.S. Retail Sales showed a further deceleration in spending for December while the Producer Price Index showed tepid levels of price increases for December as well.

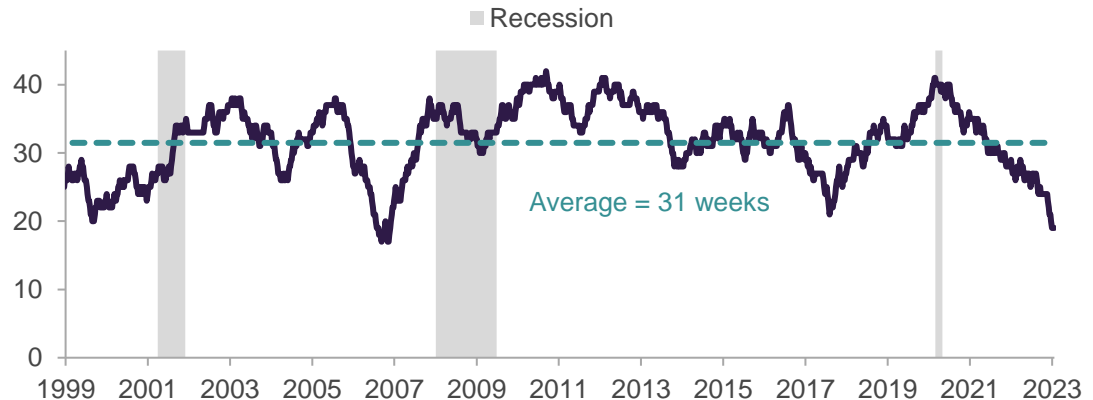
A look ahead

- The first look at fourth quarter GDP will be released this week as well as the Fed's preferred metric for inflation, PCE.
- The Fed's blackout period begins, so no more speeches until their next meeting on February 1. Markets will have to parse data releases to gauge how they may act.
- Economic releases: GDP, Durable Goods Orders, Leading Index, Personal Income & Spending, U. of Michigan Sentiment.

Chart of the week – The zig and zag of stocks and bonds

The past year has seen only 19 weeks where stock prices and bond yields moved in the same direction. Typically, when economic growth becomes a bigger concern and demand for safe haven assets increases, stock prices start falling at the same time that bond yields fall (bond prices rise).

of weeks out of last 52 where stock prices and bond yields moved in same direction



Data Source: Truist IAG, Bloomberg. Stocks = S&P 500, Bonds = 10-year U.S. Treasury yield. Past performance does not guarantee future results.



Market Pulse

As of January 20, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.25	5.17	5.17	5.17	-10.66
S&P 500	-0.65	3.55	3.55	3.55	-9.87
MSCI EAFE (net)	0.01	7.05	7.05	7.05	-7.73
MSCI Emerging Markets (net)	0.63	8.39	8.39	8.39	-15.00
Dow Jones Industrials	-2.66	0.78	0.78	0.78	-1.82
Bloomberg Commodity Index	0.58	-0.34	-0.34	-0.34	8.48
Bloomberg Aggregate	0.15	2.89	2.89	2.89	-8.57
ICE BofA US High Yield	-0.31	3.58	3.58	3.58	-6.96
Bloomberg Municipal Bond Blend 1-15 Year	0.47	2.18	2.18	2.18	-2.73
ICE BofA Global Government xUS (USD Unhedged)	-0.17	3.54	3.54	3.54	-18.44
ICE BofA Global Government xUS (USD Hedged)	0.54	2.07	2.07	2.07	-8.97

Rates (%)	1/20/23	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	4.81	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.65	4.41	3.23	1.64	0.51
2-Year Treasury	4.20	4.41	4.20	2.93	2.28
5-Year Treasury	3.56	4.00	4.03	3.00	2.42
10-Year Treasury	3.48	3.87	3.79	2.97	2.32
30-Year Treasury	3.64	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.29	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	2.70	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.16	8.95	9.58	8.93	6.02
Currencies	1/20/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.08	1.07	0.98	1.05	1.11
Yen (¥/\$)	129.93	131.95	144.75	135.86	121.37
Pound (\$/£)	1.24	1.20	1.12	1.21	1.32
Commodities	1/20/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	81.64	80.26	79.49	105.76	100.28
Gold	1,928	1,826	1,672	1,807	1,954
Volatility	1/20/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	19.85	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.50	-0.65	0.16	4.15	3.55	2.99	Large
-0.65	-0.86	-1.06	7.00	5.33	3.72	Mid
-0.83	-1.24	-1.63	7.32	5.76	4.31	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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