

In focus

Equity and bond markets each took a breather, finishing the week lower after January produced strong gains. With few key economic releases, investors digested comments from Federal Reserve (Fed) officials in the wake of the previous Friday's hotter-than-expected payrolls report. Corporate earnings also demanded attention, as results have been mixed, with roughly two thirds of S&P 500 companies now having reported Q4 results.

Despite some bright spots, this earnings season has largely left investors wanting more. Among S&P 500 constituents that have reported, 68% have beaten consensus expectations, below both 1-year (76%) and 5-year (77%) averages. At the same time, analysts have been cutting first quarter earnings estimates amid economic uncertainty for the rest of the year. However, the market has punished firms less for earnings misses than in past quarters, while rewarding positive surprises at an above-trend rate. Increased bullish sentiment has likely contributed to valuations largely holding up despite underwhelming earnings. This positive sentiment will be tested by several key economic releases this week.

This week's data will provide a test as to whether any potential good news is treated as good news, or if it stokes fears of higher interest rates. January Retail Sales, Consumer Price Index (CPI), and Producer Price Index (PPI) reports are highly anticipated.

A look back

- Stocks fell broadly last week, with global equities and the S&P 500 each falling just over -1.0%, while emerging markets dipped -2.4%.
- Treasury yields rose, and the slope of the curve ended the week largely unchanged. The 2-/10-year curve reached historic levels of inversion mid-week, briefly touching -0.86%.
- Consumer sentiment came in ahead of expectations, showing increased optimism surrounding the path of the economy.

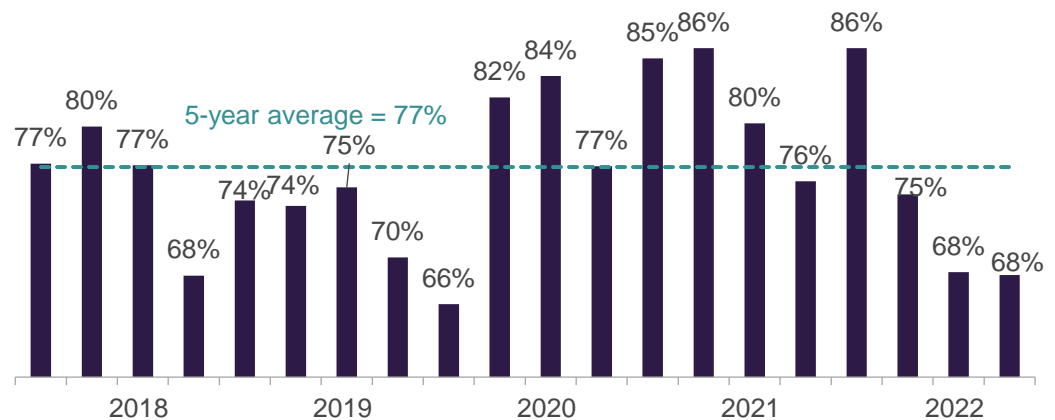
A look ahead

- This week brings key inflation data, with both January CPI and PPI being released.
- Companies will continue to report earnings, with 61 S&P 500 firms set to release fourth quarter results this week. Utilities, the worst performing sector year to date, will take the earnings spotlight.
- Economic Releases: CPI, Retail Sales, Business Inventories, Industrial Production, Housing Starts, PPI, Leading Index.

Chart of the week – S&P 500 earnings surprises

With 342 S&P 500 companies having reported fourth quarter results through the end of last week, just 68% have exceeded earnings expectations. This falls well below the 5-year average of 77%, marking the third consecutive quarter that S&P 500 companies have fallen short of the average.

S&P 500 companies that beat earnings estimates



Data Source: Truist IAG, FactSet, S&P Global



Market Pulse

As of February 10, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-1.40	-0.20	6.96	6.96	-9.30
S&P 500	-1.07	0.40	6.71	6.71	-7.64
MSCI EAFE (net)	-1.57	-0.70	7.34	7.34	-6.68
MSCI Emerging Markets (net)	-2.40	-1.72	6.04	6.04	-16.55
Dow Jones Industrials	-0.11	-0.58	2.33	2.33	-1.85
Bloomberg Commodity Index	1.59	-2.67	-3.15	-3.15	1.81
Bloomberg Aggregate	-1.43	-1.48	1.55	1.55	-7.91
ICE BofA US High Yield	-1.83	-0.75	3.13	3.13	-5.22
Bloomberg Municipal Bond Blend 1-15 Year	-0.41	-0.35	1.89	1.89	-1.75
ICE BofA Global Government xUS (USD Unhedged)	-1.83	-1.53	1.39	1.39	-18.13
ICE BofA Global Government xUS (USD Hedged)	-0.94	-0.08	1.42	1.42	-7.62

Rates (%)	2/10/23	12/30/22	9/30/22	6/30/22	3/31/22
Fed Funds Target	4.75	4.50	3.25	1.75	0.50
Libor, 3-Month	4.87	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.75	4.41	3.23	1.64	0.51
2-Year Treasury	4.51	4.41	4.20	2.93	2.28
5-Year Treasury	3.93	4.00	4.03	3.00	2.42
10-Year Treasury	3.73	3.87	3.79	2.97	2.32
30-Year Treasury	3.82	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.56	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	2.85	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.40	8.95	9.58	8.93	6.02
Currencies	2/10/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.07	1.07	0.98	1.05	1.11
Yen (¥/\$)	131.31	131.95	144.75	135.86	121.37
Pound (\$/£)	1.21	1.20	1.12	1.21	1.32
Commodities	2/10/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	79.72	80.26	79.49	105.76	100.28
Gold	1,875	1,826	1,672	1,807	1,954
Volatility	2/10/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	20.53	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.56	-1.07	-0.60	6.73	6.71	6.68	Large
-3.40	-2.49	-1.57	10.30	8.74	7.21	Mid
-3.74	-3.44	-3.14	11.64	9.47	7.46	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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