

In focus

After a week of mixed economic data, three bank failures, and the Federal Reserve (Fed) Chair's testimony to the Senate Banking Committee, equity markets ended the week markedly lower. Yields fluctuated wildly with the 2-year U.S. Treasury yield peaking above 5% early in the week before retracing 0.47% in only two days.

Entering the week, markets were eager to hear Fed Chair Powell testify to the Senate, hoping to glean insight into the Fed's next move. The remarks seemed to provide some clarity and markets priced in an 80% chance of a 0.50% increase on March 22. But the hawkish momentum was brief as corporate events began to unfold mid-week, led by the collapse of the crypto-focused bank, Silvergate Capital. By Thursday and ahead of the jobs report Friday there was additional chatter that more trouble may be afoot in the banking sector as Silicon Valley Bank (SVB) saw a mass withdrawal of deposits. Before lunch on Friday the bank had been taken over by the Federal Deposit Insurance Corporation.

We expect wide market swings as investors digest the latest developments. We continue to advocate a more defensive strategy and are tilted towards fixed income with a focus on high quality bonds. We remain slightly overweight cash and maintain a U.S. and large cap bias within equities.

A look back

- Global equities ended the week in negative territory, led lower by U.S. stocks which saw a sharp sell-off as all sectors finished in the red.
- The 2-/10-year U.S. Treasury curve spread reached a four-decade low of -110 basis points (-1.10%), before quickly reversing to -89 basis points to end the week.
- The February jobs report was mixed last week with nonfarm payrolls slowing, yet meaningfully above expectations, while wage growth slowed more than expected.

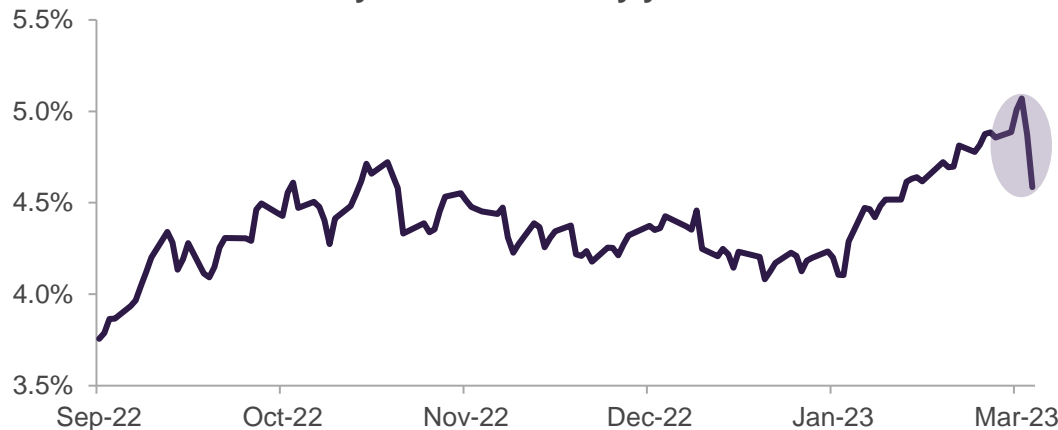
A look ahead

- Investors will continue to digest the developments in the banking sector for any potential implications on the economy, Fed policy, and markets.
- The most anticipated readouts this week are the Consumer Price Index (CPI) on Tuesday and Retail Sales on Wednesday.
- Economic releases: CPI, Producer Price Index, Retail Sales, Empire Manufacturing, Housing Starts, Industrial Production, Leading Index, U. Michigan Sentiment.

Chart of the week – 2-year yields retreat after moving above 5%

Last week, the 2-year U.S. Treasury yield spiked above 5% before retreating to 4.6% on Friday. The large and rapid change was likely a combination of increased demand for safe-haven assets as well as more dovish expectations of the Fed's rate path given increased banking concerns.

2-year U.S. Treasury yields



Data Source: Truist IAG, Bloomberg



Market Pulse

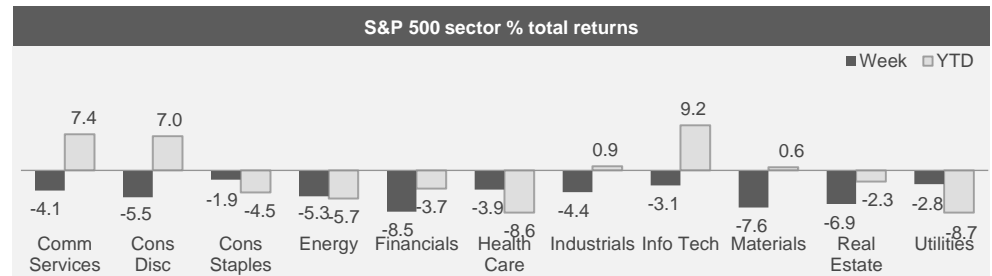
As of March 10, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-3.56	-1.89	2.12	2.12	-6.45
S&P 500	-4.51	-2.67	0.92	0.92	-7.76
MSCI EAFE (net)	-0.76	0.11	5.96	5.96	2.71
MSCI Emerging Markets (net)	-3.29	-0.87	0.03	0.03	-10.84
Dow Jones Industrials	-4.35	-2.14	-3.24	-3.24	-1.70
Bloomberg Commodity Index	-3.38	-1.38	-6.48	-6.48	-13.94
Bloomberg Aggregate	1.17	1.04	1.45	1.45	-7.33
ICE BofA US High Yield	-0.95	-0.64	1.91	1.91	-4.56
Bloomberg Municipal Bond Blend 1-15 Year	0.66	0.57	0.89	0.89	-1.59
ICE BofA Global Government xUS (USD Unhedged)	2.15	1.57	0.21	0.21	-17.28
ICE BofA Global Government xUS (USD Hedged)	1.21	0.84	1.61	1.61	-7.41

Rates (%)	3/10/23	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	5.15	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.92	4.41	3.23	1.64	0.51
2-Year Treasury	4.59	4.41	4.20	2.93	2.28
5-Year Treasury	3.95	4.00	4.03	3.00	2.42
10-Year Treasury	3.70	3.87	3.79	2.97	2.32
30-Year Treasury	3.69	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.67	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	3.18	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.84	8.95	9.58	8.93	6.02
Currencies	3/10/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.07	1.07	0.98	1.05	1.11
Yen (¥/\$)	134.34	131.95	144.75	135.86	121.37
Pound (\$/£)	1.21	1.20	1.12	1.21	1.32
Commodities	3/10/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	76.68	80.26	79.49	105.76	100.28
Gold	1,867	1,826	1,672	1,807	1,954
Volatility	3/10/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	24.80	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-5.26	-4.51	-3.82	0.19	0.92	1.60	Large
-8.30	-7.35	-6.42	0.83	1.20	1.54	Mid
-8.26	-7.63	-7.03	2.89	1.55	0.33	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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