

**In focus**

A little more than one year after the Federal Reserve (Fed) began raising interest rates, last week's hike may have been the Fed's final increase for this cycle. The transformation of market expectations from just a few weeks ago was dramatic as traders took off bets that the Fed would have to keep hiking and instead have now turned to how many cuts may be coming this year. The recent banking turmoil has offered one answer to the question of, "When will the Fed's tighter policy have an effect on the economy?" and investors are taking notice.

The broader stock market rose last week with focus shifting to a more dovish Fed in the coming year. Mega-cap tech names led the way higher whereas smaller cap stocks were barely positive on the week. Underneath the surface, the regional banking index hit a new low on Thursday before rebounding again on Friday as the sector continues to see volatility.

The past two weeks also saw a sea change in how stocks and bonds are correlated. For much of last year, bonds and stocks moved in the same direction. Over the past several weeks the traditional relationship of bonds zigging when stocks zag has come back. Bond yields dropped again last week as traders shifted focus from a hiking Fed to growth concerns. The 2-/10-year U.S. Treasury curve steepened last week from being deeply inverted. The curve typically re-steepens like this when the market thinks a recession is more imminent.

**A look back**

- Global stocks were positive last week, with emerging markets leading the way, up more than 2% on the back of markets perceiving that central banks are nearing their end game.
- U.S. Treasury yields fell again last week with the short end falling more than the long end, steepening the curve, even though it mainly stayed inverted.
- The Fed raised their benchmark interest rate by 0.25% as markets had expected, while they remained determined to combat inflation.

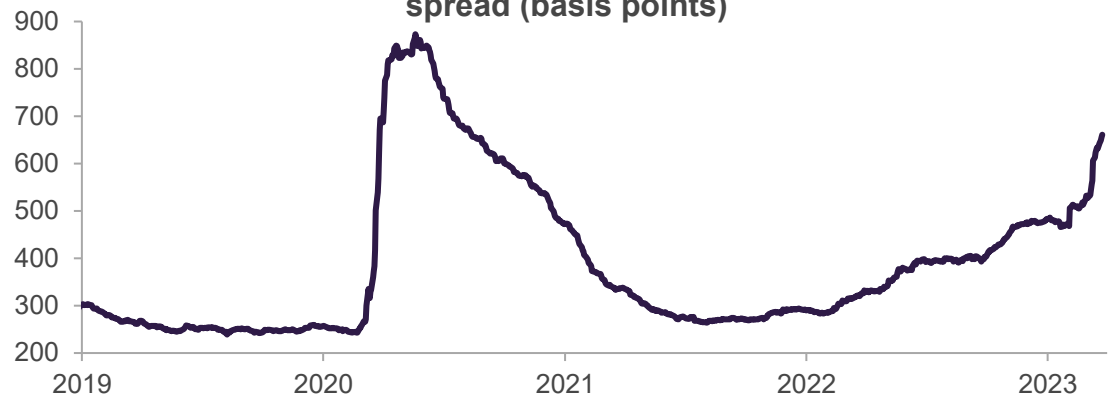
**A look ahead**

- Consumer sentiment will be a focus this week in economic data as two surveys will show how the banking sector's turmoil has affected individual's expectations.
- Nine Fed speakers will try to combat the market's disconnect of expecting multiple rate cuts while the Fed still predicts none.
- Economic Releases: Conf. Board Consumer Confidence, Pending Home Sales, Personal Income and Spending, PCE Deflator, U. of Michigan Sentiment.

**Chart of the week – Commercial real estate under pressure**

Spreads compared to Treasuries for BBB rated commercial mortgage-backed securities widened for the fifth consecutive week. Selling pressure started because of slowing office and retail real estate markets last year, but the banking turmoil has added to commercial real estate's negatives.

**Commercial mortgage backed securities BBB-rated spread (basis points)**



Data Source: Truist IAG, Bloomberg; 1 basis point = 0.01%  
 CMBS BBB spreads = Bloomberg CMBS Investment Grade BBB average OAS



# Market Pulse

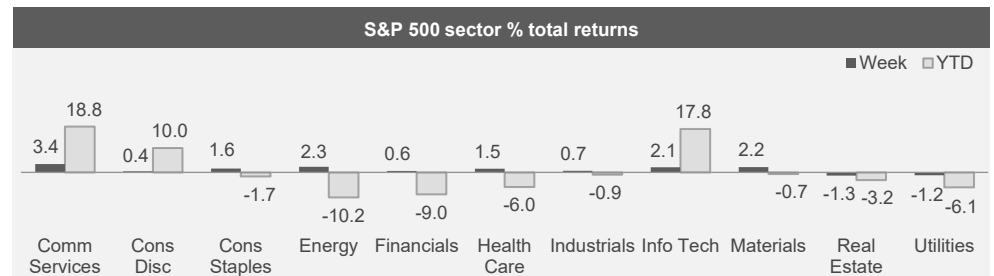
As of March 24, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.49	-0.46	3.61	3.61	-10.17
S&P 500	1.41	0.16	3.86	3.86	-10.60
MSCI EAFE (net)	1.59	-1.48	4.28	4.28	-4.08
MSCI Emerging Markets (net)	2.23	1.06	1.97	1.97	-11.94
Dow Jones Industrials	1.18	-1.10	-2.21	-2.21	-5.09
Bloomberg Commodity Index	0.00	-2.99	-8.01	-8.01	-17.99
Bloomberg Aggregate	0.52	3.01	3.44	3.44	-4.08
ICE BofA US High Yield	0.33	-0.71	1.84	1.84	-4.49
Bloomberg Municipal Bond Blend 1-15 Year	0.38	1.71	2.04	2.04	1.02
ICE BofA Global Government xUS (USD Unhedged)	1.07	5.21	3.80	3.80	-11.75
ICE BofA Global Government xUS (USD Hedged)	0.20	3.01	3.80	3.80	-4.48

Rates (%)	3/24/23	12/30/22	9/30/22	6/30/22	3/31/22
Fed Funds Target	5.00	4.50	3.25	1.75	0.50
Libor, 3-Month	5.13	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.64	4.41	3.23	1.64	0.51
2-Year Treasury	3.77	4.41	4.20	2.93	2.28
5-Year Treasury	3.40	4.00	4.03	3.00	2.42
10-Year Treasury	3.38	3.87	3.79	2.97	2.32
30-Year Treasury	3.64	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.26	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	2.91	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.92	8.95	9.58	8.93	6.02
Currencies	3/24/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.08	1.07	0.98	1.05	1.11
Yen (¥/\$)	130.64	131.95	144.75	135.86	121.37
Pound (\$/£)	1.22	1.20	1.12	1.21	1.32
Commodities	3/24/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	69.26	80.26	79.49	105.76	100.28
Gold	1,984	1,826	1,672	1,807	1,954
Volatility	3/24/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	21.74	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
0.80	1.41	1.96	1.04	3.86	6.45	Large
1.14	1.25	1.36	-2.12	-0.72	0.62	Mid
0.24	0.58	0.91	-1.14	-1.14	-1.09	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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