

In focus

February concluded last week with stocks down on the month after a strong rally in January. U.S. Treasury yields also reversed course in February, rising across the curve after falling in January. Both stock and bond markets are sitting near key resistance levels and seem to be waiting with bated breath for how the Federal Reserve (Fed) will react to a U.S. economy still showing signs of inflation.

Despite higher yields, the leading sector in the S&P 500 for all of February was Tech and it was the only sector that was positive for the month. Last week saw many sectors do well despite a continued recalibration of the Fed's reaction function. With almost all company earnings reported for the quarter, investors will turn their focus to economic news and the Fed's reaction. The first signpost down that path is this Friday with the February jobs report.

The Fed's job may have gotten harder over the past month with strong jobs growth and hotter inflation data. Market-based inflation expectations also are shooting higher, something that the Fed will want to combat too. The Fed is not the only central bank dealing with inflation though. Global markets are concentrated on European inflation data and how the European Central Bank may have to raise rates faster than the Fed – now that the Fed has done much of its heavy lifting.

A look back

- Global stocks broke a 3-week losing streak and rose by about 2% last week. U.S. stocks led the way, but only by a slim margin.
- Yields rose again across the curve and the 2-/10-year inversion widened. The 10-year yield broke above 4% for the first time since November before falling back down.
- ISM data showed the U.S. economy is still diverging with manufacturing in contraction while services showed a healthy expansion for the month of February.

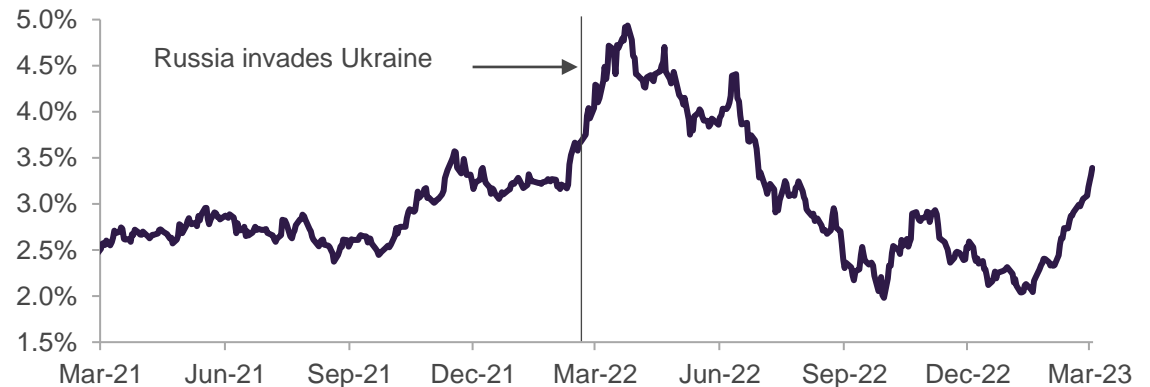
A look ahead

- The February jobs report will be released Friday with expectations set much lower than the 517K jobs added last month.
- Fed Chair Powell will provide testimony for a House and Senate committee potentially giving his take on recent hot inflation data and if the Fed should go higher for longer.
- Economic releases: Factory Orders, Durable Goods Orders, Wholesale Inventories, Trade Balance, Nonfarm Payrolls, and the Unemployment Rate.

Chart of the week – Resetting inflation expectations

Breakeven yields, the difference between nominal U.S. Treasury yields and Treasury inflation-protected securities yields of the same maturity, show market expectations for inflation. The recent economic surprises have revamped investors inflation expectations higher for the coming years.

U.S. 2-year breakeven yield



Data Source: Truist IAG, FactSet, CME Group



Market Pulse

As of March 03, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.91	1.72	5.89	5.89	-5.69
S&P 500	1.96	1.93	5.69	5.69	-5.68
MSCI EAFE (net)	1.81	0.88	6.77	6.77	0.99
MSCI Emerging Markets (net)	1.68	2.50	3.43	3.43	-13.22
Dow Jones Industrials	1.85	2.31	1.15	1.15	0.93
Bloomberg Commodity Index	2.71	2.07	-3.21	-3.21	-9.35
Bloomberg Aggregate	0.12	-0.13	0.28	0.28	-9.52
ICE BofA US High Yield	0.83	0.31	2.89	2.89	-5.27
Bloomberg Municipal Bond Blend 1-15 Year	-0.07	-0.09	0.23	0.23	-2.99
ICE BofA Global Government xUS (USD Unhedged)	-0.17	-0.57	-1.90	-1.90	-20.33
ICE BofA Global Government xUS (USD Hedged)	-0.42	-0.36	0.40	0.40	-9.56

Rates (%)	3/03/23	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	4.98	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.84	4.41	3.23	1.64	0.51
2-Year Treasury	4.86	4.41	4.20	2.93	2.28
5-Year Treasury	4.26	4.00	4.03	3.00	2.42
10-Year Treasury	3.97	3.87	3.79	2.97	2.32
30-Year Treasury	3.89	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.85	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	3.32	3.18	3.73	2.82	2.36
ICE BofA US High Yield	8.57	8.95	9.58	8.93	6.02
Currencies	3/03/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.06	1.07	0.98	1.05	1.11
Yen (¥/\$)	136.34	131.95	144.75	135.86	121.37
Pound (\$/£)	1.20	1.20	1.12	1.21	1.32
Commodities	3/03/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	79.68	80.26	79.49	105.76	100.28
Gold	1,855	1,826	1,672	1,807	1,954
Volatility	3/03/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	18.49	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
1.89	1.96	2.02	5.76	5.69	5.63	Large
1.68	1.88	2.08	9.96	9.23	8.51	Mid
2.10	1.82	1.54	12.15	9.95	7.91	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.

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The CBOE Volatility Index® (VIX®) is a measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

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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.

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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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