

In focus

Equity markets took a breather following three-straight weeks of gains as investors digested signs of a slowing economy. Two releases in the first part of the week showed fewer job openings in March than many expected, and Friday’s nonfarm payrolls report supported the narrative of a slowing labor market, which has remained resilient so far. Evidence of this resilience includes the unemployment rate ticking back down to 3.5%, causing yields to rise on Friday after declining for much of the week.

Investors will get a sense of how companies are navigating the economic environment this week with the beginning of first quarter earnings season. While earnings estimates for the S&P 500 have come down in recent weeks, it remains to be seen whether these estimates are fully considering the impact of a slowing economy on profitability. Fittingly, the first wave of results will come from banks after a troubling quarter featuring two bank failures. The Federal Reserve (Fed) will keep a close eye on the strength of the banking sector as it weighs an additional rate hike.

In addition to earnings, policymakers will focus on two key inflation readings this week, the Consumer Price Index (CPI) and Producer Price Index (PPI). On the heels of softening economic data, markets will hope that price pressures continued to ease in March.

A look back

- Global equities were mostly unchanged last week, though international developed markets gained modestly.
- Treasury yields fell across much of the curve and the 2-year yield closed the week just below 4%. The 2-/10-year inversion deepened for the second straight week.
- Nonfarm payrolls were roughly in line with consensus estimates. Additionally, fewer than expected job openings provided multiple signals of a cooling labor market.

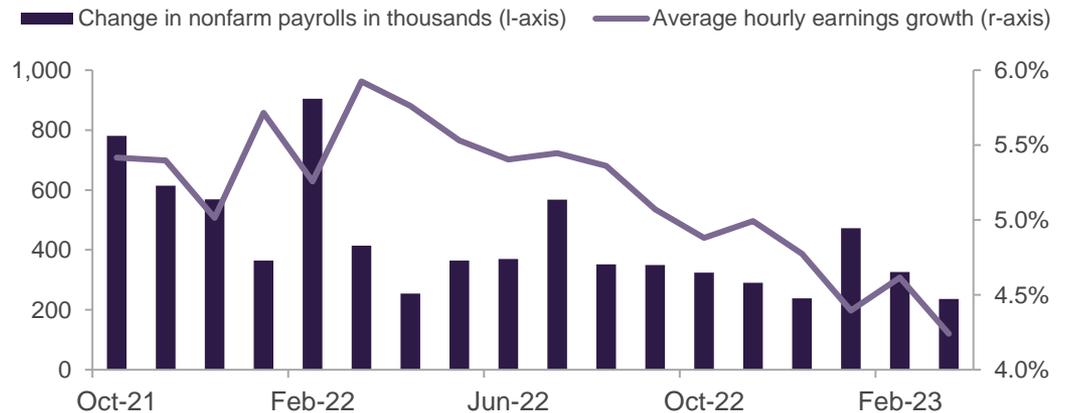
A look ahead

- Inflation data will take center stage, with both CPI and PPI set to be released. Later in the week, retail sales will provide another barometer of economic strength.
- Earnings season unofficially kicks off this week with several banks releasing results from the first quarter, which saw significant stress in the industry.
- Economic releases: CPI, FOMC minutes, PPI, Retail Sales, Industrial Production, University of Michigan Consumer Sentiment.

Chart of the week – Cooling labor market

Average hourly earnings growth, a key gauge of wage inflation, has fallen steadily over the past year and was 4.2% in March, the lowest level since June 2021. Similarly, nonfarm payrolls have steadied at much lower levels than in early 2022.

Slowing nonfarm payrolls and average hourly earnings



Data Source: Truist IAG, FactSet



Market Pulse

As of April 07, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.03	-0.03	-0.03	7.28	-6.26
S&P 500	-0.06	-0.06	-0.06	7.43	-7.17
MSCI EAFE (net)	0.47	0.47	0.47	8.97	1.59
MSCI Emerging Markets (net)	-0.27	-0.27	-0.27	3.68	-9.70
Dow Jones Industrials	0.69	0.69	0.69	1.62	-1.08
Bloomberg Commodity Index	0.00	0.00	0.00	-8.01	-15.24
Bloomberg Aggregate	0.49	0.49	0.49	3.47	-2.79
ICE BofA US High Yield	-0.03	-0.03	-0.03	3.69	-2.36
Bloomberg Municipal Bond Blend 1-15 Year	0.68	0.68	0.68	2.96	2.86
ICE BofA Global Government xUS (USD Unhedged)	0.95	0.95	0.95	3.92	-9.73
ICE BofA Global Government xUS (USD Hedged)	0.33	0.33	0.33	3.53	-3.76

Rates (%)	4/06/23	3/31/23	12/30/22	9/30/22	6/30/22
Fed Funds Target	5.00	5.00	4.50	3.25	1.75
Libor, 3-Month	5.19	5.19	4.76	3.75	2.28
T-Bill, 3-Month	4.84	4.75	4.41	3.23	1.64
2-Year Treasury	3.80	4.06	4.41	4.20	2.93
5-Year Treasury	3.35	3.60	4.00	4.03	3.00
10-Year Treasury	3.28	3.49	3.87	3.79	2.97
30-Year Treasury	3.53	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.22	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	2.73	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.55	8.50	8.95	9.58	8.93
Currencies	4/06/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.09	1.09	1.07	0.98	1.05
Yen (¥/\$)	131.78	133.09	131.95	144.75	135.86
Pound (\$/£)	1.24	1.24	1.20	1.12	1.21
Commodities	4/06/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	80.70	75.67	80.26	79.49	105.76
Gold	2,026	1,986	1,826	1,672	1,807
Volatility	4/06/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	18.40	18.70	21.67	31.62	28.71

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-0.49	-0.06	0.31	4.66	7.43	9.98	Large
-2.97	-2.57	-2.18	-0.53	1.14	2.75	Mid
-2.59	-2.68	-2.77	0.38	-0.18	-0.69	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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