

Market Pulse *from the Investment Advisory Group*

May 15, 2023

In focus

Economic data last week gave investors increased confidence that inflation is cooling. The April Consumer Price Index (CPI) came in at 0.4%, in line with expectations and lowering year-over-year headline CPI to 4.9%. The Producer Price Index was reported as well and was below expectations, providing some indication the Federal Reserve's (Fed) 500 basis points (5%) of rate hikes are working their way through the system. On the other hand, the University of Michigan Consumer Sentiment Survey reached its lowest levels in six months and initial jobless claims increased to a 19-month high – increasing concerns of a coming recession.

Equity markets remain mixed as earnings season wraps up. According to FactSet, 78% of companies that have reported results have beaten earnings expectations, which is above the 10-year average of 73%. This comes after the bar was lowered through downward estimate revisions throughout the first quarter. Mega cap tech companies continue to prop up the broader market and offset weakness under the market's surface as nine of the eleven sectors in the S&P 500 reported negative performance last week.

A look back

- Global equity markets were modestly negative last week with all major regions ending down less than 1%. U.S. equities fared best, finishing negative by only -0.24%.
- The 2-/10-year U.S. Treasury yield spread further inverted by four basis points (0.04%) with the 2-year yield creeping up to end the week just below 4%.
- Last week's data showed continued easing of inflation but did so at the cost of weaker economic data, which fueled recession talk.

A look ahead

- First quarter earnings are nearing an end as brokerage conferences ramp up and investors will use what they've learned from 1Q23 to assemble a view for the current quarter.
- New York Fed President Williams will take the stage twice this week in addition to several other appearances by Fed officials, including Fed Chair Powell.
- Economic releases: Retail Sales, Industrial Production, Housing Starts, Existing Home Sales, and Leading Index.

Chart of the week – Recession concerns weigh on confidence

The University of Michigan published its preliminary consumer sentiment survey results for May showing a decline from April's reading of 57.7 – a six-month low for the survey. Weaker economic data and debt ceiling negotiations appear to be weighing on the consumer's confidence.

Index of Consumer Sentiment



Data Source: Truist IAG, FactSet, University of Michigan



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As of May 12, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.42	-0.76	0.66	8.02	7.46
S&P 500	-0.24	-1.02	0.53	8.07	6.73
MSCI EAFE (net)	-0.67	-0.51	2.29	10.95	14.51
MSCI Emerging Markets (net)	-0.86	-0.35	-1.48	2.42	1.45
Dow Jones Industrials	-1.04	-2.26	0.25	1.19	7.19
Bloomberg Commodity Index	-1.62	-2.80	-3.53	-8.71	-17.42
Bloomberg Aggregate	-0.23	-0.28	0.33	3.30	-0.86
ICE BofA US High Yield	-0.01	-0.44	0.52	4.26	3.21
Bloomberg Municipal Bond Blend 1-15 Year	0.02	0.30	0.03	2.30	4.55
ICE BofA Global Government xUS (USD Unhedged)	-0.68	-0.46	-0.62	2.30	-6.31
ICE BofA Global Government xUS (USD Hedged)	0.26	0.15	0.37	3.57	-3.07

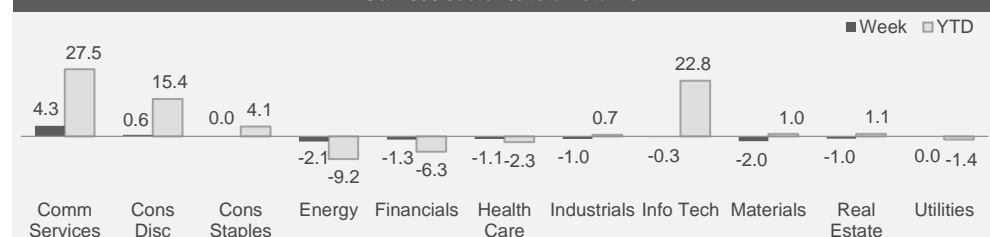
Rates (%)	5/12/23	3/31/23	12/30/22	9/30/22	6/30/22
Fed Funds Target	5.25	5.00	4.50	3.25	1.75
Libor, 3-Month	5.32	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.18	4.75	4.41	3.23	1.64
2-Year Treasury	3.97	4.06	4.41	4.20	2.93
5-Year Treasury	3.45	3.60	4.00	4.03	3.00
10-Year Treasury	3.46	3.49	3.87	3.79	2.97
30-Year Treasury	3.77	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.37	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.01	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.59	8.50	8.95	9.58	8.93
Currencies	5/12/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.09	1.09	1.07	0.98	1.05
Yen (¥/\$)	135.31	133.09	131.95	144.75	135.86
Pound (\$/£)	1.25	1.24	1.20	1.12	1.21
Commodities	5/12/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	70.04	75.67	80.26	79.49	105.76
Gold	2,020	1,986	1,826	1,672	1,807
Volatility	5/12/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	17.03	18.70	21.67	31.62	28.71

U.S. style % total returns (S&P indexes)

Week				YTD		
Value	Core	Growth		Value	Core	Growth
-0.83	-0.24	0.27	Large	4.57	8.07	11.28
-1.60	-1.11	-0.65	Mid	-1.75	0.67	3.00
-2.04	-1.66	-1.29	Small	-3.10	-2.69	-2.25

Data Source: Truist, FactSet

S&P 500 sector % total returns



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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 SBBi U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBi Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBi 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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