

Market Pulse *from the Investment Advisory Group*

May 22, 2023

In focus

The U.S. debt ceiling debate has come increasingly into focus as the “X-date” draws near. Equities rallied on Wednesday following comments from President Biden and Speaker McCarthy that fueled optimism that a deal will be reached. These hopes helped push the S&P 500 to its two highest closes of 2023 on Thursday and Friday.

Appearances from several Federal Reserve (Fed) officials were other key themes, and comments were generally perceived as hawkish early in the week. By midweek, markets priced in a roughly 40% chance of a 0.25% rate hike at the June FOMC meeting. However, the implied probability of another hike dropped below 20% to end the week following comments from Fed Chair Powell on Friday, which were viewed as somewhat less hawkish.

With uncertainty around the debt ceiling, monetary policy, and health of the economy, bullish sentiment is unusually low. According to the AAI Investor Sentiment Survey last week, expectations that stocks will gain over the next six months fell to a seven-week low and are below the historical average for the fourteenth-straight week. Despite this bearish sentiment, mega cap tech stocks had another strong week to help boost the major indices. Excitement around artificial intelligence has been a catalyst for these tech giants, which have accounted for a large proportion of equity markets’ returns in 2023.

A look back

- Global equities ended the week up over 1.0% as U.S. stocks led the way. International developed and emerging markets lagged though still posted gains.
- Treasury yields jumped up across the curve. The 3-month/10-year inversion eased but remains historically deep at -1.57%.
- Retail sales rose in April to snap a two-month skid. Meanwhile, existing home sales continued to drop last month, as housing prices increased amid limited supply.

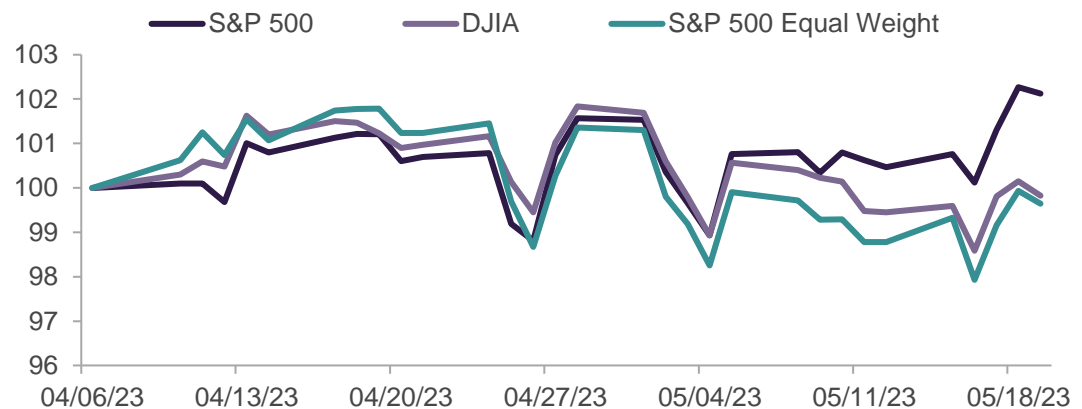
A look ahead

- Investors will watch for any signs of progress in the debt ceiling debate, while April personal consumption expenditures (PCE) will provide another inflation datapoint.
- On Wednesday, Fed Governor Waller will give a speech on the economic outlook, and the minutes of May’s FOMC meeting will be released.
- Economic releases: S&P Global U.S. Manufacturing & Services, New Home Sales, PCE, Revised GDP, Durable Goods Orders.

Chart of the week – S&P 500 boosted by technology

Over the last six weeks, the S&P 500 has beaten its equal-weighted version as well as the Dow Jones Industrial Average (DJIA). This is due, in part, to the strong performance of the technology sector, which has gained 28% year to date.

Index performance last six weeks



Wealth

Data source: Truist IAG, FactSet, CME Group, AAI

Market Pulse

As of May 19, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.17	0.40	1.84	9.28	7.89
S&P 500	1.71	0.67	2.24	9.91	9.30
MSCI EAFE (net)	0.36	-0.16	2.66	11.35	11.88
MSCI Emerging Markets (net)	0.51	0.16	-0.97	2.94	-0.79
Dow Jones Industrials	0.50	-1.77	0.76	1.69	9.23
Bloomberg Commodity Index	-0.01	-2.81	-3.54	-8.71	-19.92
Bloomberg Aggregate	-1.37	-1.65	-1.05	1.88	-2.09
ICE BofA US High Yield	-0.45	-0.89	0.07	3.79	3.51
Bloomberg Municipal Bond Blend 1-15 Year	-0.97	-0.67	-0.95	1.30	3.83
ICE BofA Global Government xUS (USD Unhedged)	-1.96	-2.40	-2.57	0.30	-8.90
ICE BofA Global Government xUS (USD Hedged)	-0.64	-0.49	-0.28	2.90	-3.26

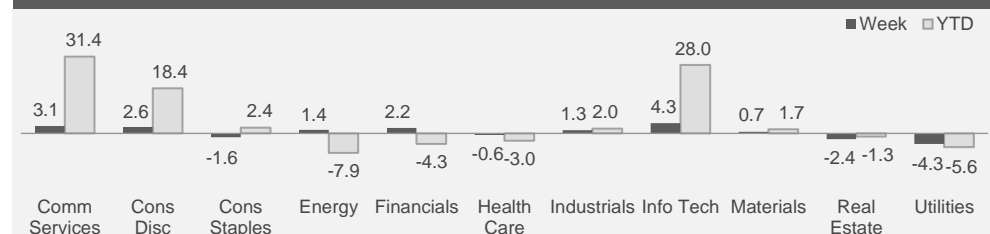
Rates (%)	5/19/23	3/31/23	12/30/22	9/30/22	6/30/22
Fed Funds Target	5.25	5.00	4.50	3.25	1.75
Libor, 3-Month	5.37	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.24	4.75	4.41	3.23	1.64
2-Year Treasury	4.26	4.06	4.41	4.20	2.93
5-Year Treasury	3.74	3.60	4.00	4.03	3.00
10-Year Treasury	3.68	3.49	3.87	3.79	2.97
30-Year Treasury	3.95	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.62	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.28	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.72	8.50	8.95	9.58	8.93
Currencies	5/19/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.08	1.09	1.07	0.98	1.05
Yen (¥/\$)	138.51	133.09	131.95	144.75	135.86
Pound (\$/£)	1.24	1.24	1.20	1.12	1.21
Commodities	5/19/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	71.69	75.67	80.26	79.49	105.76
Gold	1,982	1,986	1,826	1,672	1,807
Volatility	5/19/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	16.81	18.70	21.67	31.62	28.71

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
1.50	1.71	1.88	Large	6.13	9.91	13.38
1.31	1.02	0.74	Mid	-0.46	1.69	3.76
2.00	2.29	2.58	Small	-1.17	-0.46	0.27

Data Source: Truist, FactSet

S&P 500 sector % total returns



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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 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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