

Market Pulse *from the Investment Advisory Group*

May 30, 2023

In focus

After a week of dislocations in the Treasury Bill market, where yields moved in sporadic fashion, an initial agreement was finally reached over the weekend to raise the debt ceiling. This deal now needs to pass both chambers of Congress, which will require gathering votes from both sides of the aisle. This could end with the bill being passed later this week to avoid a default on any payments from the Treasury.

The broader U.S. equity market appeared to pay less attention to the debt ceiling negotiations. Instead, investors focused on several earnings beats which drove large gains in some tech names. The mega-cap tech rally continues to pull the S&P 500 higher despite underlying weakness from cyclical sectors such as financials and energy. Small and mid cap stocks also continue to lag large caps.

The overall bond market was more focused on economic data and the potential Federal Reserve (Fed) response last week. With Gross Domestic Product (GDP) and Personal Consumption Expenditures (PCE), the Fed's preferred inflation gauge, coming in hotter than anticipated, traders started pricing in a higher-for-longer Fed. Fed funds futures are now pricing for the Fed to stay above 5% for the rest of this year. Both bond and equity markets will turn toward the jobs report this Friday to see whether the U.S. economy continues to add jobs.

A look back

- U.S. stocks led the way as the S&P 500 was up marginally, while international markets were down on the week.
- Treasury yields jumped up across the curve. The 2-/10-year curve flattened as the 2-year part of the curve rose the most while longer yields didn't rise as much.
- President Biden and Speaker McCarthy came to an agreement in principle over the weekend on a deal to raise the debt ceiling. It will need to be passed by Congress.

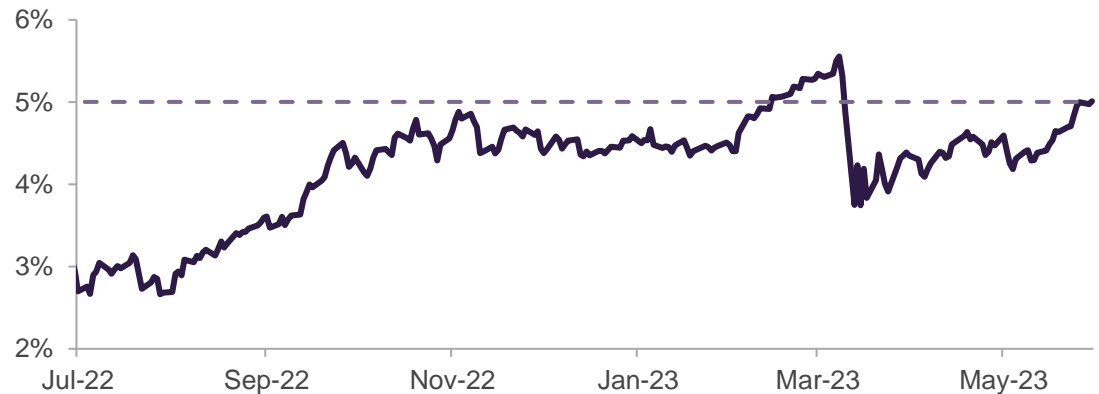
A look ahead

- Both chambers of Congress will meet to try to gather the required votes in order to pass the bill that raises the debt ceiling this week.
- With the Fed and markets laser focused on jobs, the Nonfarm Payrolls and unemployment numbers on Friday will be key to future Fed interest rate decision making.
- Economic releases: Consumer Confidence, JOLTS Job Openings, ISM U.S. Manufacturing, Nonfarm Payrolls, and the Unemployment rate.

Chart of the week – Market now pricing for Fed to stay higher

After the banking turmoil in March, Fed funds futures had generally started pricing in cuts for the second half of this year. With recent data showing the economy still on decent footing, futures are now pricing for a year-end target back above 5%, which moved short-term yields higher as well.

Fed funds futures pricing for December 2023



Data source: Truist IAG, Bloomberg



Wealth

Market Pulse

As of May 26, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.48	-0.08	1.36	8.76	4.02
S&P 500	0.35	1.02	2.60	10.29	5.43
MSCI EAFE (net)	-2.29	-2.45	0.31	8.80	6.41
MSCI Emerging Markets (net)	-0.42	-0.25	-1.38	2.52	-2.13
Dow Jones Industrials	-0.97	-2.73	-0.22	0.70	3.58
Bloomberg Commodity Index	-0.88	-3.67	-4.40	-9.52	-21.92
Bloomberg Aggregate	-0.67	-2.31	-1.71	1.20	-3.75
ICE BofA US High Yield	-0.41	-1.30	-0.34	3.36	0.17
Bloomberg Municipal Bond Blend 1-15 Year	-0.54	-1.21	-1.48	0.76	1.26
ICE BofA Global Government xUS (USD Unhedged)	-1.77	-4.13	-4.30	-1.48	-10.73
ICE BofA Global Government xUS (USD Hedged)	-0.59	-1.08	-0.86	2.30	-3.49

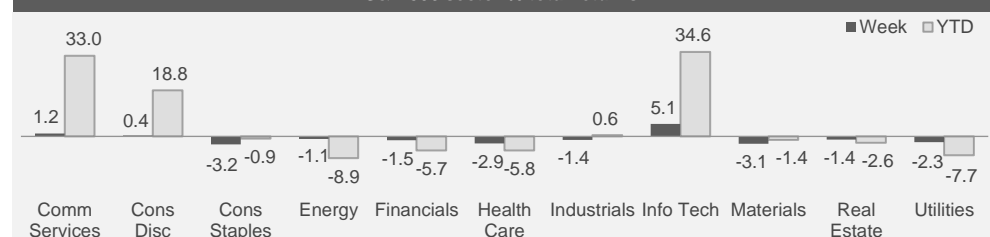
Rates (%)	5/26/23	3/31/23	12/30/22	9/30/22	6/30/22
Fed Funds Target	5.25	5.00	4.50	3.25	1.75
Libor, 3-Month	5.47	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.26	4.75	4.41	3.23	1.64
2-Year Treasury	4.55	4.06	4.41	4.20	2.93
5-Year Treasury	3.92	3.60	4.00	4.03	3.00
10-Year Treasury	3.80	3.49	3.87	3.79	2.97
30-Year Treasury	3.96	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.79	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.41	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.85	8.50	8.95	9.58	8.93
Currencies	5/26/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.07	1.09	1.07	0.98	1.05
Yen (¥/\$)	140.50	133.09	131.95	144.75	135.86
Pound (\$/£)	1.23	1.24	1.20	1.12	1.21
Commodities	5/26/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	72.67	75.67	80.26	79.49	105.76
Gold	1,944	1,986	1,826	1,672	1,807
Volatility	5/26/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	17.95	18.70	21.67	31.62	28.71

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
-0.53	0.35	1.10	Large	5.57	10.29	14.63
-0.32	-0.51	-0.69	Mid	-0.77	1.17	3.04
-0.33	0.18	0.67	Small	-1.49	-0.28	0.94

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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