

Market Pulse *from the Investment Advisory Group*

June 20, 2023

In focus

Equities rallied in an action-packed week with the S&P 500 up over 2.5%. Technology stocks helped push the index to its fifth-straight weekly gain amid a flurry of key events highlighted by the Federal Reserve's (Fed) policy decision.

Central banks were active around the world last week as policymakers have begun taking different approaches; the European Central Bank continued its tightening campaign, while the Chinese and Japanese bodies were more dovish. In the U.S., the Fed's decision to pause was received well by investors after ten-straight hikes that have pushed interest rates up 5%. Despite holding steady, officials indicated more action is likely with 12 of 18 members projecting an increase in rates by at least another 0.50%, and Chair Powell striking a hawkish tone in his press conference. However, markets are skeptical, only pricing in one more increase this cycle.

While holding rates steady, Fed officials focused on fresh economic readings including inflation and retail sales data. Though headline consumer prices rose at their slowest pace in over two years, officials were likely disappointed by stubbornly-high core inflation, which excludes the volatile food and energy components. Meanwhile, healthy retail sales data indicated the U.S. consumer remains strong and the University of Michigan's measure of consumer sentiment is at its highest point since February.

A look back

- Equities rose sharply, with both U.S. and international stocks gaining more than 2%.
- The 2-year U.S. Treasury yield rose after the Fed signaled it expects more rate hikes. The 2-/10-year inversion deepened to -0.95%, its deepest since early March.
- Inflation data showed overall price pressures continued to ease, while year-ahead inflation expectations fell to 3.3%, the lowest level since March 2021.

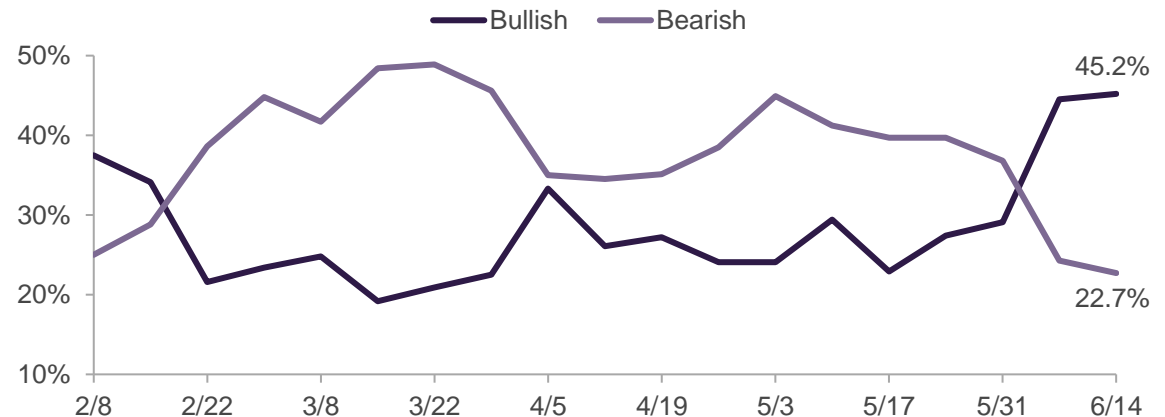
A look ahead

- Numerous Fed officials will take the stage this week, highlighted by Fed Chair Powell speaking before Congress.
- Investors will get an updated look into the housing market given the amount of housing data in focus this week as they continue to digest trends in this area of the economy.
- Economic releases: Housing Starts, Building Permits, Existing Home Sales, Leading Index, S&P Global U.S. Manufacturing & Services.

Chart of the week – Optimistic shift

Pessimism around equity prices has reigned supreme for much of the year, according to the American Association of Individual Investors' (AAII) weekly investor sentiment survey. This has reversed sharply in June, with bulls now outnumbering bears by the widest margin in over 18 months.

AAII Investor Sentiment



Data source: Truist IAG, FactSet, AAII



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As of June 16, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	2.71	6.05	6.42	14.20	19.01
S&P 500	2.62	5.59	7.71	15.78	22.25
MSCI EAFE (net)	2.88	6.40	4.78	13.65	20.82
MSCI Emerging Markets (net)	2.91	7.71	4.71	8.85	5.19
Dow Jones Industrials	1.31	4.35	3.64	4.60	17.04
Bloomberg Commodity Index	4.25	7.58	0.75	-4.65	-15.95
Bloomberg Aggregate	0.20	-0.24	-0.73	2.22	0.47
ICE BofA US High Yield	0.47	1.62	1.63	5.41	7.70
Bloomberg Municipal Bond Blend 1-15 Year	0.20	0.54	-0.63	1.63	3.44
ICE BofA Global Government xUS (USD Unhedged)	0.25	0.83	-2.43	0.44	-3.05
ICE BofA Global Government xUS (USD Hedged)	-0.03	-0.18	-0.03	3.16	0.63

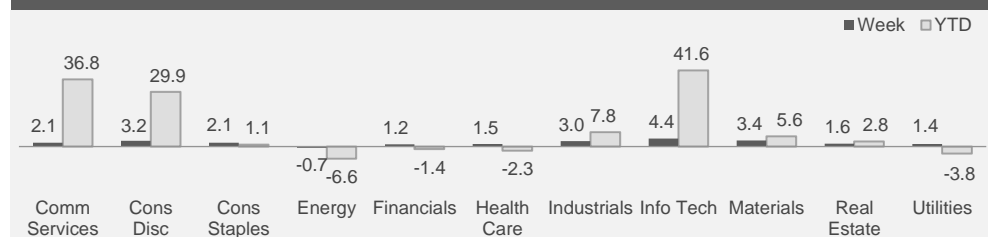
Rates (%)	6/16/23	3/31/23	12/30/22	9/30/22	6/30/22
Fed Funds Target	5.25	5.00	4.50	3.25	1.75
Libor, 3-Month	5.51	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.21	4.75	4.41	3.23	1.64
2-Year Treasury	4.72	4.06	4.41	4.20	2.93
5-Year Treasury	3.99	3.60	4.00	4.03	3.00
10-Year Treasury	3.77	3.49	3.87	3.79	2.97
30-Year Treasury	3.85	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.73	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.25	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.49	8.50	8.95	9.58	8.93
Currencies	6/16/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.09	1.09	1.07	0.98	1.05
Yen (¥/\$)	141.50	133.09	131.95	144.75	135.86
Pound (\$/£)	1.28	1.24	1.20	1.12	1.21
Commodities	6/16/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	71.93	75.67	80.26	79.49	105.76
Gold	1,971	1,986	1,826	1,672	1,807
Volatility	6/16/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	13.54	18.70	21.67	31.62	28.71

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
2.68	2.62	2.58	Large	11.39	15.78	19.82
1.86	1.56	1.27	Mid	5.71	7.02	8.25
0.26	0.35	0.44	Small	3.98	4.94	5.91

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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