

# Market Pulse *from the Investment Advisory Group*

June 5, 2023

## In focus

Last week marked the end of May which consisted of a 0.25% rate hike from the Federal Reserve (Fed), concern and speculation over the debt ceiling, and some notable last inning earnings releases that moved markets. The S&P 500 ended the month of May with modest gains, while the technology sector returned 9.5%, fueled by a renewed enthusiasm over Artificial Intelligence.

While the S&P 500 was able to complete the month slightly positive, posting its third-consecutive month of gains, breadth within the index in May was narrow with only 25% of constituents posting positive performance. Technology, communication services, and consumer discretionary were the only sectors to move higher in May, while the other eight sectors ended markedly lower. Energy was the standout laggard with a double-digit loss to end the final month of the spring season.

Fixed income and equity markets have continued to disagree on the path forward as the 2-/10-year U.S. Treasury curve notched lower, and the 3-month/10-year spread remains at historically low levels while equities saw inflows for the first time in seven weeks. With a somewhat minor list of economic readouts this week, equity and fixed income markets will prepare for the upcoming Federal Open Market Committee meeting on June 14 where markets are currently expecting the Fed to pause their rate hikes.

## A look back

- Global equity markets were positive across the board last week, and U.S. stocks led the move up with all 11 S&P 500 sectors finishing higher.
- After declining for most of the week, yields spiked last Friday leaving them only modestly lower. The 2-/10-year U.S. Treasury yield curve flattened slightly to -82 basis points.
- Over the weekend, President Biden signed a bipartisan debt ceiling bill, suspending the debt limit until 2025 and avoiding default.

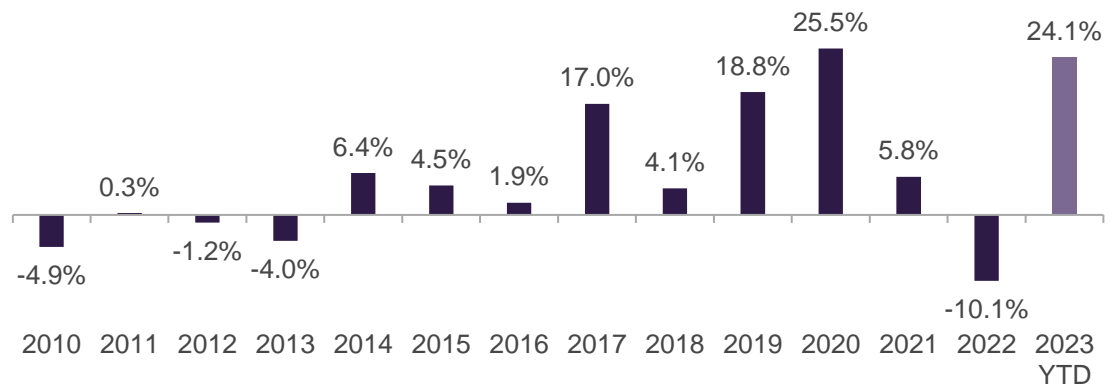
## A look ahead

- Crude oil prices climbed after the weekend announcement from Saudi Arabia to voluntarily cut an additional one million barrels per day starting in July.
- The Fed entered its quiet period, so Fed speak should be scarce this week leading up to the Federal Open Market Committee meeting June 13-14.
- Economic releases: ISM & S&P Global U.S. Services, Factory Orders, Wholesale Inventories, Durable Goods Orders.

## Chart of the week – Technology's outperformance

Since 2010, the technology sector has outperformed the S&P 500 on an annual basis in all except four years – 2010, 2012, 2013, and 2022. Year to date, the technology sector is on track to outperform the S&P 500 by the most since 2020.

### Annual total return - Technology sector minus S&P 500



Data source: Truist IAG, Morningstar. Technology sector = S&P 500 Information Technology



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As of June 02, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.61	2.63	2.99	10.51	2.90
S&P 500	1.88	2.48	4.53	12.37	4.30
MSCI EAFE (net)	0.88	2.76	1.19	9.76	6.14
MSCI Emerging Markets (net)	1.25	2.72	-0.15	3.80	-4.58
Dow Jones Industrials	2.17	2.63	1.94	2.89	3.78
Bloomberg Commodity Index	-0.15	1.93	-4.54	-9.66	-22.39
Bloomberg Aggregate	0.96	-0.28	-0.77	2.17	-2.18
ICE BofA US High Yield	1.20	0.84	0.85	4.60	0.72
Bloomberg Municipal Bond Blend 1-15 Year	0.58	0.25	-0.91	1.34	1.21
ICE BofA Global Government xUS (USD Unhedged)	1.60	0.49	-2.77	0.09	-7.61
ICE BofA Global Government xUS (USD Hedged)	1.10	0.06	0.22	3.42	-1.32

Rates (%)	6/02/23	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	5.49	5.19	4.76	3.75	2.28
T-Bill, 3-Month	5.38	4.75	4.41	3.23	1.64
2-Year Treasury	4.51	4.06	4.41	4.20	2.93
5-Year Treasury	3.83	3.60	4.00	4.03	3.00
10-Year Treasury	3.69	3.49	3.87	3.79	2.97
30-Year Treasury	3.87	3.68	3.96	3.76	3.12
Bloomberg Aggregate (YTW)	4.65	4.40	4.68	4.75	3.72
Bloomberg Municipal Bond Blend 1-15 Year	3.29	2.87	3.18	3.73	2.82
ICE BofA US High Yield	8.61	8.50	8.95	9.58	8.93
Currencies	6/02/23	3/31/23	12/30/22	9/30/22	6/30/22
Euro (\$/€)	1.07	1.09	1.07	0.98	1.05
Yen (¥/\$)	139.66	133.09	131.95	144.75	135.86
Pound (\$/£)	1.25	1.24	1.20	1.12	1.21
Commodities	6/02/23	3/31/23	12/30/22	9/30/22	6/30/22
Crude Oil (WTI)	71.74	75.67	80.26	79.49	105.76
Gold	1,970	1,986	1,826	1,672	1,807
Volatility	6/02/23	3/31/23	12/30/22	9/30/22	6/30/22
CBOE VIX	14.60	18.70	21.67	31.62	28.71

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
2.02	1.88	1.77	7.69	12.37	16.65	Large
2.77	2.62	2.47	1.98	3.82	5.59	Mid
3.47	3.13	2.80	1.93	2.84	3.76	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 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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