

Market Pulse *from the Investment Advisory Group*

July 10, 2023

In focus

Equity markets began the third quarter in the red as investors questioned the path of the Federal Reserve's rate hike campaign (Fed). Stocks were hit as incoming labor market data was not weak enough to rule out another Fed rate hike at the July meeting.

Bond markets also took a hit as yields soared. Following Thursday's robust ADP jobs data, the 10-year U.S. Treasury yield closed above 4% for the first time in over four months. After the minutes from the Fed's June policy meeting were released on Wednesday, investors adjusted their expectations around monetary policy. Perceiving the minutes as hawkish, futures markets are now pricing in the highest terminal rate since before the regional banking crisis at roughly 5.4%.

Looking ahead, companies will start reporting second quarter results this week. Investors will be paying attention to the financials sector as a few major banks are set to report late in the week. Inflation data will be another potential catalyst with the release of the Consumer Price Index (CPI) and Producer Price Index (PPI). Central bankers will likely pay special attention to core prices, which exclude the volatile food and energy components; core inflation has proven more stubborn than headline prices in recent months.

A look back

- Equities dropped across the board last week with both U.S. and international stocks down over 1%. Emerging markets outperformed, down about -0.6%.
- Following strong employment data, U.S. Treasury yields rose across the curve while the 2-/10-year curve inversion eased.
- Amid a flurry of labor data, the ADP Employment Survey blew out expectations on Thursday. The Friday payrolls report was below consensus, but still relatively strong.

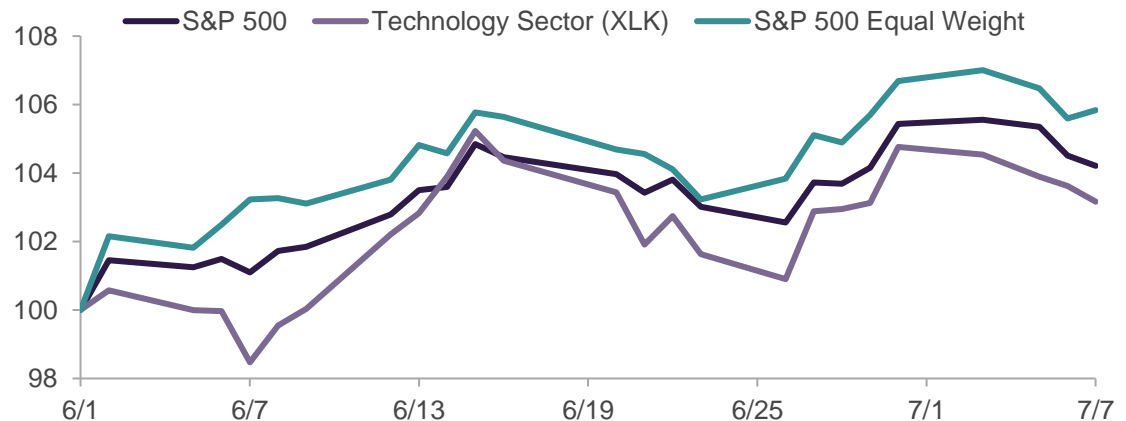
A look ahead

- Investors will scrutinize key inflation reports with the release of both CPI and PPI. Along with last week's labor data, these will be major inputs into the Fed's policy rate decision later this month.
- Second quarter earnings season kicks off with about a dozen S&P 500 firms reporting Q2 results. Financials will be in focus with a few major banks reporting late in the week.
- Economic releases: CPI, Hourly Earnings, PPI, U. of Michigan Sentiment.

Chart of the week – S&P 500 enjoying broad-based gains

A few mega cap technology stocks accounted for a large portion of the S&P 500's rally through May of this year. Since the start of June, however, the market's performance has broadened out beyond just a few large stocks.

Technology sector's recent underperformance



Wealth

Data source: Truist IAG, FactSet. Technology sector is represented by the Technology Select Sector SPDR.

Market Pulse

As of July 07, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-1.32	-1.32	-1.32	12.43	12.77
S&P 500	-1.11	-1.11	-1.11	15.59	14.61
MSCI EAFE (net)	-2.04	-2.04	-2.04	9.39	16.59
MSCI Emerging Markets (net)	-0.63	-0.63	-0.63	4.22	1.48
Dow Jones Industrials	-1.91	-1.91	-1.91	2.94	9.79
Bloomberg Commodity Index	0.53	0.53	0.53	-7.30	-7.63
Bloomberg Aggregate	-1.30	-1.30	-1.30	0.77	-2.29
ICE BofA US High Yield	-0.58	-0.58	-0.58	4.80	6.77
Bloomberg Municipal Bond Blend 1-15 Year	-0.22	-0.22	-0.22	1.63	1.63
ICE BofA Global Government xUS (USD Unhedged)	-0.16	-0.16	-0.16	-0.63	-3.20
ICE BofA Global Government xUS (USD Hedged)	-0.99	-0.99	-0.99	2.45	-1.86

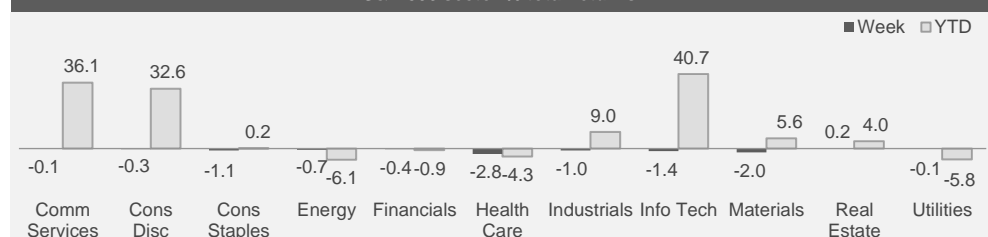
Rates (%)	7/07/23	6/30/23	3/31/23	12/30/22	9/30/22
Fed Funds Target	5.25	5.25	5.00	4.50	3.25
T-Bill, 3-Month	5.36	5.31	4.75	4.41	3.23
2-Year Treasury	4.93	4.87	4.06	4.41	4.20
5-Year Treasury	4.34	4.12	3.60	4.00	4.03
10-Year Treasury	4.04	3.81	3.49	3.87	3.79
30-Year Treasury	4.03	3.85	3.68	3.96	3.76
Bloomberg Aggregate (YTW)	5.00	4.81	4.40	4.68	4.75
Bloomberg Municipal Bond Blend 1-15 Year	3.29	3.23	2.87	3.18	3.73
ICE BofA US High Yield	8.75	8.56	8.50	8.95	9.58
Currencies	7/07/23	6/30/23	3/31/23	12/30/22	9/30/22
Euro (\$/€)	1.09	1.09	1.09	1.07	0.98
Yen (¥/\$)	142.20	144.54	133.09	131.95	144.75
Pound (\$/£)	1.28	1.27	1.24	1.20	1.12
Commodities	7/07/23	6/30/23	3/31/23	12/30/22	9/30/22
Crude Oil (WTI)	73.86	70.64	75.67	80.26	79.49
Gold	1,933	1,929	1,986	1,826	1,672
Volatility	7/07/23	6/30/23	3/31/23	12/30/22	9/30/22
CBOE VIX	14.83	13.59	18.70	21.67	31.62

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

	Week				YTD		
	Value	Core	Growth		Value	Core	Growth
Large	-0.87	-1.11	-1.32	Large	11.18	15.59	19.64
Mid	-0.49	-0.71	-0.90	Mid	6.63	8.07	9.45
Small	-1.07	-1.34	-1.60	Small	3.93	4.62	5.31

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

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

IA SBBBI 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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