

Market Pulse *from the Investment Advisory Group*

July 31, 2023

In focus

Equities performed well in a week with lots of moving parts, ranging from the Federal Reserve's (Fed) policy rate decision to a bevy of second quarter earnings releases. The Dow Jones matched its longest winning streak on record, and the S&P 500 notched its third-straight week in the green. In the week's main event, the Fed's decision to hike rates 0.25% was no surprise as Chair Powell stressed the need to remain data-dependent.

While some have worried the Fed has raised rates too aggressively, key economic releases last week bolstered the soft-landing narrative. U.S. GDP accelerated in the second quarter at a noticeably quicker rate than expected. Meanwhile, the Fed's preferred inflation gauge, Personal Consumption Expenditures (PCE), showed prices rose last month at the slowest rate in nearly two years. The Fed will hope to see these trends continue ahead of their next policy meeting in September.

While economic data was encouraging, earnings reports were less upbeat. Earnings are on track to fall -7.3% in the second quarter, which would mark the third-straight quarterly decline and the steepest drop since Q2 2020. However, companies are faring much better relative to expectations. With roughly half of the S&P 500 having reported second quarter results, 80% have beaten earnings estimates, which is ahead of historical averages.

A look back

- Emerging markets soared, up over 2.8%, while U.S. stocks rose about 1%. The communication services sector enjoyed outsized gains to pace the S&P 500.
- U.S. Treasury yields rose, and the 10-year yield broke above 4% before closing the week around 3.97%. The curve inversions eased.
- The Fed increased rates by the expected 0.25%. Meanwhile, U.S. GDP rose at an annualized rate of 2.4% in the second quarter, much faster than anticipated.

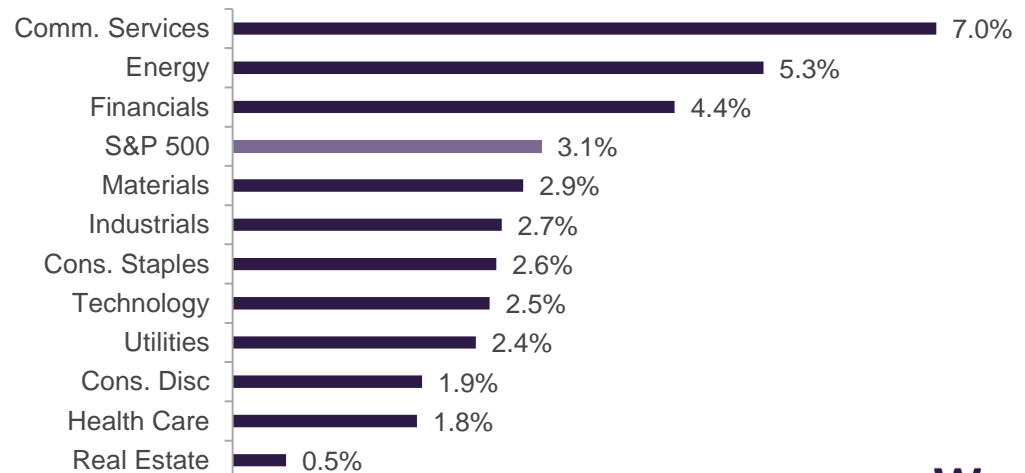
A look ahead

- Second quarter earnings season rolls on with about a third of the S&P 500 set to report.
- Labor data will be the economic highlight. Many have identified the labor market as the key to whether the economy will achieve a soft landing or endure a recession.
- Economic releases: S&P Global U.S. & ISM Manufacturing & Services, JOLTS Job Openings, Durable Goods Orders, ADP Employment Change, Nonfarm Payrolls, and the Unemployment Rate.

Chart of the week – Broad sector gains in July

With July drawing to a close, all eleven S&P 500 sectors are positive this month, but only three have outgained the overall index.

July month-to-date sector returns



Market Pulse

As of July 28, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.18	3.42	3.42	17.84	13.91
S&P 500	1.03	3.06	3.06	20.47	14.40
MSCI EAFE (net)	0.92	3.09	3.09	15.12	17.89
MSCI Emerging Markets (net)	2.85	5.84	5.84	11.02	7.53
Dow Jones Industrials	0.66	3.15	3.15	8.24	11.33
Bloomberg Commodity Index	1.07	6.10	6.10	-2.16	-6.81
Bloomberg Aggregate	-0.40	-0.20	-0.20	1.89	-3.40
ICE BofA US High Yield	0.09	1.21	1.21	6.69	4.78
Bloomberg Municipal Bond Blend 1-15 Year	-0.18	0.40	0.40	2.26	1.04
ICE BofA Global Government xUS (USD Unhedged)	-0.18	1.38	1.38	0.91	-4.01
ICE BofA Global Government xUS (USD Hedged)	-0.17	-0.17	-0.17	3.30	-2.92

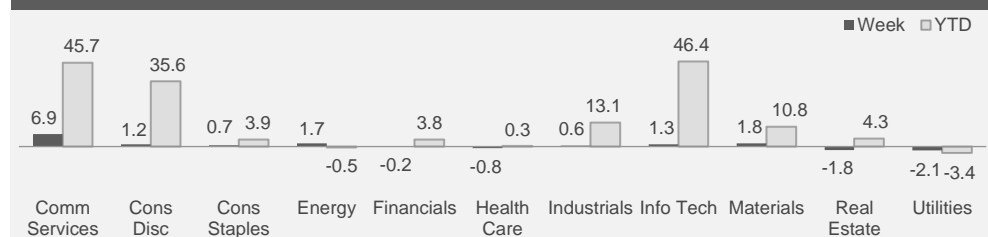
Rates (%)	7/28/23	6/30/23	3/31/23	12/30/22	9/30/22
Fed Funds Target	5.50	5.25	5.00	4.50	3.25
T-Bill, 3-Month	5.43	5.31	4.75	4.41	3.23
2-Year Treasury	4.89	4.87	4.06	4.41	4.20
5-Year Treasury	4.19	4.12	3.60	4.00	4.03
10-Year Treasury	3.97	3.81	3.49	3.87	3.79
30-Year Treasury	4.03	3.85	3.68	3.96	3.76
Bloomberg Aggregate (YTW)	4.87	4.81	4.40	4.68	4.75
Bloomberg Municipal Bond Blend 1-15 Year	3.20	3.23	2.87	3.18	3.73
ICE BofA US High Yield	8.38	8.56	8.50	8.95	9.58
Currencies	7/28/23	6/30/23	3/31/23	12/30/22	9/30/22
Euro (\$/€)	1.10	1.09	1.09	1.07	0.98
Yen (¥/\$)	140.31	144.54	133.09	131.95	144.75
Pound (\$/£)	1.29	1.27	1.24	1.20	1.12
Commodities	7/28/23	6/30/23	3/31/23	12/30/22	9/30/22
Crude Oil (WTI)	80.58	70.64	75.67	80.26	79.49
Gold	1,960	1,929	1,986	1,826	1,672
Volatility	7/28/23	6/30/23	3/31/23	12/30/22	9/30/22
CBOE VIX	13.33	13.59	18.70	21.67	31.62

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
0.59	1.03	1.41	Large	15.81	20.47	24.75
0.71	0.43	0.17	Mid	11.32	12.85	14.29
1.40	1.15	0.91	Small	10.44	10.88	11.34

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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