

# Market Pulse *from the Investment Advisory Group*

August 14, 2023

## In focus

Bonds reclaimed the center of attention last week as yields around the world rose again. There were many factors pulling traders in different directions, but the larger-than-normal Treasury auctions did not help trading either. Internationally, Chinese data came in weaker than expected while U.K. GDP came in better than expected. All of this, on top of the slow removal of yield curve control by the Bank of Japan, caused yields around the world to spike.

Another factor last week for market price action was new inflation data. Consumer Price (CPI) and Producer Price Index (PPI) numbers had something for both the bulls and the bears. While CPI was in line with expectations, there was a reacceleration in PPI data. The market is still trying to figure out if the Federal Reserve (Fed) is done hiking or not and will likely have to wait until Jackson Hole next week to get any more guidance.

After a strong first half of the year and run up through the summer, the last two weeks saw a cooling off for equity markets. Better-than-expected earnings for some companies couldn't even push the market higher. It was tough trading internationally too as emerging markets (EM) continued to fare worse than both the U.S. and international developed markets. China's slow recovery and huge size in EM indices has not helped, despite the fact that some EM central banks are on the verge of cutting interest rates.

## A look back

- Global stocks declined for the second-consecutive week, with the S&P 500 faring best, down -0.3%, while EM fell almost -2%.
- Yields rose across the curve again as increased Treasury auctions outweighed other economic factors and pushed yields higher by about 0.12%.
- On a month-over-month basis, CPI was in line with expectations while PPI reaccelerated from the prior month and exceeded consensus estimates.

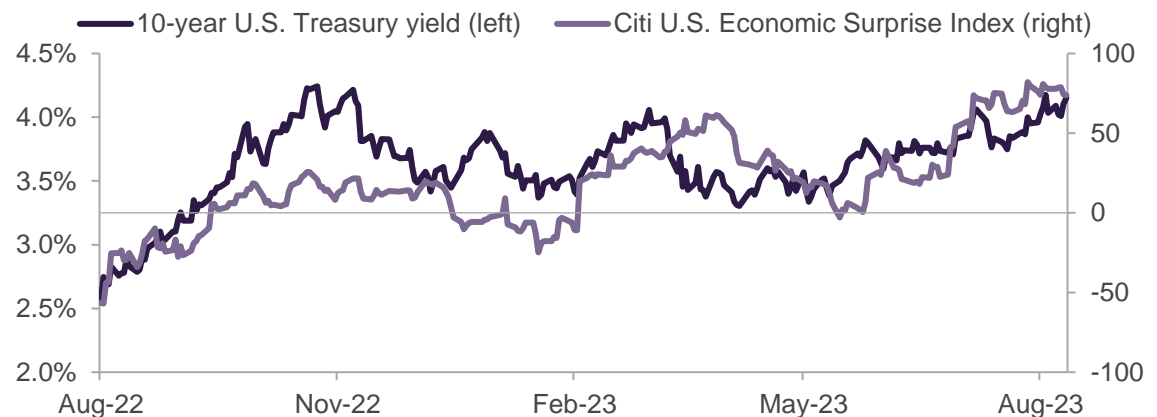
## A look ahead

- Retail company earnings will be the focus as several large retailers will show how the spring fared for consumer spending.
- Only one Fed speaker is on tap this week ahead of the Jackson Hole Symposium next week, which will allow many Fed speakers to relay their views of the latest inflation data.
- Economic releases: Retail Sales, Empire Manufacturing, Building Permits, Housing Starts, Industrial Production, FOMC Meeting minutes, Leading Economic Index

## Chart of the week – Treasury yields tracking economic resilience

Over the past year, the economy has surprised more to the upside and this is reflected in the Citi U.S. Economic Surprise Index. The 10-year yield has closely followed this index as the economy continues to be more resilient than most economists had expected to start the year.

### 10-year yield vs. economic surprises



Data source: Truist IAG, Bloomberg



Wealth

# Market Pulse

As of August 11, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr	Rates (%)	8/11/23	6/30/23	3/31/23	12/30/22	9/30/22
MSCI ACWI (net)	-0.58	-3.11	0.44	14.44	7.12	Fed Funds Target	5.50	5.25	5.00	4.50	3.25
S&P 500	-0.27	-2.67	0.46	17.43	7.89	T-Bill, 3-Month	5.43	5.31	4.75	4.41	3.23
MSCI EAFE (net)	-0.56	-3.06	0.07	11.75	11.16	2-Year Treasury	4.89	4.87	4.06	4.41	4.20
MSCI Emerging Markets (net)	-1.94	-4.60	1.34	6.29	1.18	5-Year Treasury	4.31	4.12	3.60	4.00	4.03
Dow Jones Industrials	0.69	-0.71	2.71	7.78	8.10	10-Year Treasury	4.16	3.81	3.49	3.87	3.79
Bloomberg Commodity Index	-0.22	-1.47	4.69	-3.46	-10.61	30-Year Treasury	4.27	3.85	3.68	3.96	3.76
Bloomberg Aggregate	-0.64	-1.35	-1.42	0.64	-3.55	Bloomberg Aggregate (YTW)	5.03	4.81	4.40	4.68	4.75
ICE BofA US High Yield	0.32	-0.29	1.13	6.61	2.26	Bloomberg Municipal Bond Blend 1-15 Year	3.37	3.23	2.87	3.18	3.73
Bloomberg Municipal Bond Blend 1-15 Year	0.31	-0.59	-0.20	1.64	0.39	ICE BofA US High Yield	8.49	8.56	8.50	8.95	9.58
ICE BofA Global Government xUS (USD Unhedged)	-1.09	-1.86	-1.19	-1.65	-7.73	Currencies	8/11/23	6/30/23	3/31/23	12/30/22	9/30/22
ICE BofA Global Government xUS (USD Hedged)	0.05	-0.51	-0.89	2.55	-3.53	Euro (\$/€)	1.10	1.09	1.09	1.07	0.98
						Yen (¥/\$)	144.74	144.54	133.09	131.95	144.75
						Pound (\$/£)	1.27	1.27	1.24	1.20	1.12
						Commodities	8/11/23	6/30/23	3/31/23	12/30/22	9/30/22
						Crude Oil (WTI)	83.19	70.64	75.67	80.26	79.49
						Gold	1,947	1,929	1,986	1,826	1,672
						Volatility	8/11/23	6/30/23	3/31/23	12/30/22	9/30/22
						CBOE VIX	14.84	13.59	18.70	21.67	31.62

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
-0.19	-0.27	-0.34	Large	13.56	17.43	20.98
-1.00	-0.75	-0.51	Mid	8.76	10.57	12.29
-1.11	-1.22	-1.33	Small	8.22	8.56	8.91

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 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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