

Market Pulse *from the Investment Advisory Group*

August 21, 2023

In focus

Equity markets across the globe continued lower last week as both macro headlines weighed on investor sentiment and the seasonally-weak summer trend seemed to play a role. The S&P 500 fell below its 50-day moving average as fund flows showed a move away from equities. Treasury yields spiked mid-week as strong economic data supported the higher-for-longer messaging from the Federal Reserve (Fed), and the July Federal Open Market Committee meeting notes highlighted the resilience of the economy but also the uncertainty of the impact from policy tightening.

Both developed and emerging markets are grappling with macro headwinds and their relative price trends remain weak. China's economic sluggishness has been in focus as it struggles to recover post-COVID and was made worse last week with the Evergrande bankruptcy filing – shining a spotlight back on to the country's well-documented real estate troubles. In Europe, energy and agricultural prices are surging while the major manufacturing surveys continue to contract.

Despite U.S. equity markets' recent bout of negative performance, corporate earnings have surprised to the upside with 79% of the reports so far beating expectations, according to FactSet. The U.S. economy still appears to be in better shape relative to most of the globe; however, Fed Chair Powell's remarks at Jackson Hole this week should provide more clarity on his view of the U.S. economy.

A look back

- Global equity markets fell for the third consecutive week with U.S., international developed, and emerging markets down by more than -2% last week.
- Yields were mixed last week, yet still at elevated levels, with some steepening between the 2-/10-year U.S. Treasury curve.
- U.S. 30-year fixed rate mortgage rates rose to their highest level in over 20 years last week as new home buyers now face rates exceeding 7%.

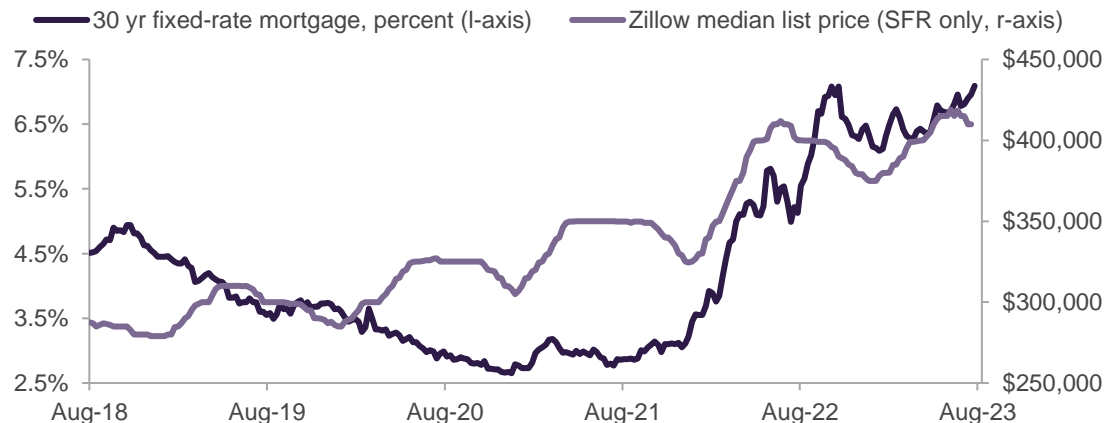
A look ahead

- Several notable companies will report this week, including NVIDIA, which energized markets in the first quarter with a robust outlook for artificial intelligence spending.
- On Friday, Fed Chair Powell will present his economic outlook at the Jackson Hole Economic Symposium.
- Economic releases: Existing & New Home Sales, S&P Global U.S. Manufacturing & Services, Durable Goods Orders, U. of Michigan Sentiment.

Chart of the week – Home buyers challenged by affordability

Last week, the U.S. 30-year fixed rate mortgage reached its highest level in over 20 years. With the median listing price for homes in the U.S. increasing by over 40% in 5 years, home buyers are not only battling higher rates, but also higher prices.

U.S. 30-year fixed rate mortgage & median list price



Data Source: Truist IAG, FactSet (data to 8/18/23, weekly). Zillow (data to 8/11/23, weekly, SFR = Single Family Residence)



Wealth

Market Pulse

As of August 18, 2023

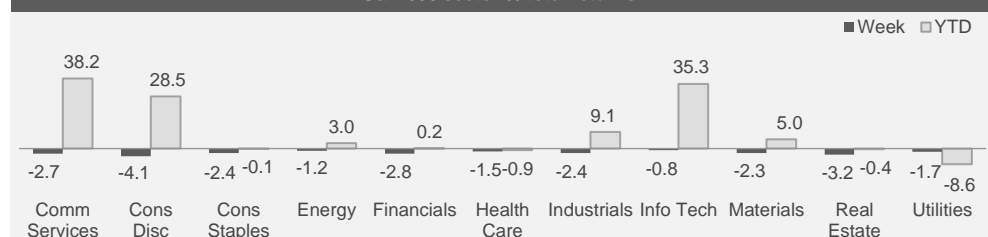
Index % Total Return	Week	MTD	QTD	YTD	1 Yr	Rates (%)	8/18/23	6/30/23	3/31/23	12/30/22	9/30/22
MSCI ACWI (net)	-2.57	-5.60	-2.14	11.50	3.56	Fed Funds Target	5.50	5.25	5.00	4.50	3.25
S&P 500	-2.05	-4.66	-1.60	15.02	3.75	T-Bill, 3-Month	5.44	5.31	4.75	4.41	3.23
MSCI EAFE (net)	-3.30	-6.27	-3.23	8.06	8.70	2-Year Treasury	4.92	4.87	4.06	4.41	4.20
MSCI Emerging Markets (net)	-3.29	-7.74	-1.99	2.80	-1.91	5-Year Treasury	4.38	4.12	3.60	4.00	4.03
Dow Jones Industrials	-2.10	-2.79	0.56	5.52	3.70	10-Year Treasury	4.24	3.81	3.49	3.87	3.79
Bloomberg Commodity Index	-1.17	-2.62	3.47	-4.59	-10.13	30-Year Treasury	4.37	3.85	3.68	3.96	3.76
Bloomberg Aggregate	-0.50	-1.85	-1.92	0.13	-4.12	Bloomberg Aggregate (YTW)	5.12	4.81	4.40	4.68	4.75
ICE BofA US High Yield	-0.83	-1.12	0.29	5.72	2.12	Bloomberg Municipal Bond Blend 1-15 Year	3.47	3.23	2.87	3.18	3.73
Bloomberg Municipal Bond Blend 1-15 Year	-0.40	-0.99	-0.60	1.24	0.87	ICE BofA US High Yield	8.70	8.56	8.50	8.95	9.58
ICE BofA Global Government xUS (USD Unhedged)	-1.02	-2.86	-2.20	-2.65	-6.16	Currencies	8/18/23	6/30/23	3/31/23	12/30/22	9/30/22
ICE BofA Global Government xUS (USD Hedged)	-0.35	-0.86	-1.24	2.19	-3.25	Euro (\$/€)	1.09	1.09	1.09	1.07	0.98
						Yen (¥/\$)	145.24	144.54	133.09	131.95	144.75
						Pound (\$/£)	1.27	1.27	1.24	1.20	1.12
						Commodities	8/18/23	6/30/23	3/31/23	12/30/22	9/30/22
						Crude Oil (WTI)	80.66	70.64	75.67	80.26	79.49
						Gold	1,917	1,929	1,986	1,826	1,672
						Volatility	8/18/23	6/30/23	3/31/23	12/30/22	9/30/22
						CBOE VIX	17.30	13.59	18.70	21.67	31.62

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
-2.70	-2.05	-1.50	Large	10.50	15.02	19.17
-3.48	-3.02	-2.59	Mid	4.98	7.23	9.38
-3.62	-3.33	-3.04	Small	4.30	4.94	5.60

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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