

Market Pulse *from the Investment Advisory Group*

August 28, 2023

In focus

Equities enjoyed their first positive week of August as the S&P 500 snapped its three-week losing streak. While the gains were driven by some notable outperformers, the S&P 500 Equal Weight Index was flat, painting a more mixed picture of the broad market. Bond yields spiked on the short end of the curve, while the 10-year yield soared to its highest level since 2007 before receding to end the week. This runup in yields has restored value in fixed income and we remain tactically neutral between stocks, bonds, and cash.

Investors fixated on Federal Reserve (Fed) Chair Powell's speech at Jackson Hole on Friday. Chair Powell reiterated the central bank's 2% inflation target but was balanced in his remarks, which lacked any near-term policy signal; as a result, there was no major market impact. Meanwhile, earnings season wrapped up as most of the final reports came from major retailers, which provided a varied outlook on U.S. consumers. However, new home sales hit a 17-month high in July despite historically-high mortgage rates.

The bears outnumbered the bulls in last week's AAI Investor Sentiment Survey for the first time since May as bearish sentiment has edged up for four-straight weeks. Key economic data, including the August jobs report, is likely to be important for sentiment this week.

A look back

- U.S. and emerging market equities posted modest gains, while international developed markets stocks trailed.
- Interest rates were mixed as the 10-year U.S. Treasury yield reached its highest point in over 15 years before falling back to close the week around 4.23%. The 2-/10- year inversion deepened.
- The University of Michigan survey showed consumer sentiment declined in August, while one and five-year inflation expectations rose.

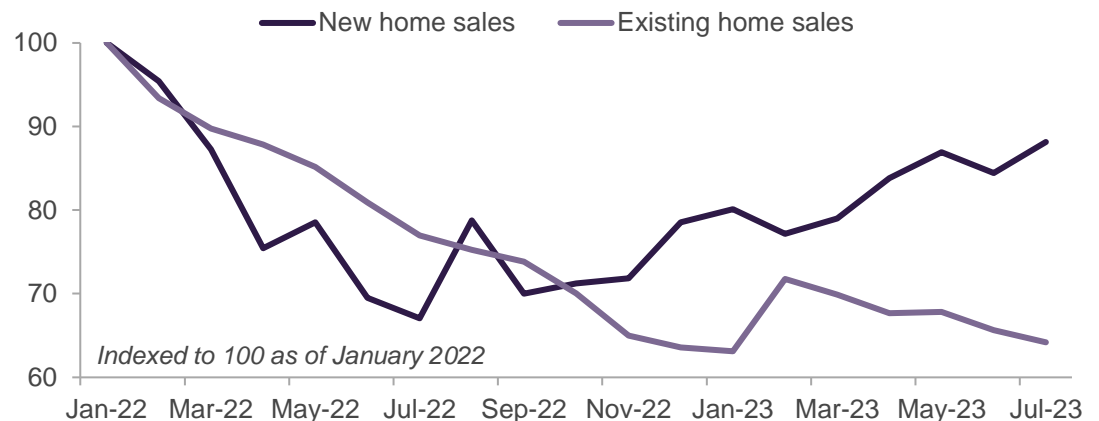
A look ahead

- The August jobs report set to be released on Friday is the economic highlight. Though the labor market has weakened, it's remained resilient in the face of higher interest rates.
- July's Personal Consumption Expenditures (PCE), the Fed's preferred inflation gauge, will provide a key update in the central bank's campaign to pull inflation back towards 2%.
- Economic releases: PCE, Nonfarm Payrolls, Unemployment Rate, S&P Global U.S. & ISM Manufacturing.

Chart of the week – Divergent housing market

New home sales reached their highest level since February 2022 in July, while existing home sales dropped to the lowest point for that month since 2010. Existing homeowners appear hesitant to give up their lower mortgage rates and pay up for a "used" house, pushing down existing home sales.

Diverging housing market



Wealth

Data source: Truist IAG, FactSet

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Market Pulse

As of August 25, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr	Rates (%)	8/25/23	6/30/23	3/31/23	12/30/22	9/30/22
MSCI ACWI (net)	0.54	-5.09	-1.61	12.10	6.10	Fed Funds Target	5.50	5.25	5.00	4.50	3.25
S&P 500	0.84	-3.86	-0.77	15.99	6.70	T-Bill, 3-Month	5.48	5.31	4.75	4.41	3.23
MSCI EAFE (net)	-0.18	-6.43	-3.41	7.87	11.22	2-Year Treasury	5.06	4.87	4.06	4.41	4.20
MSCI Emerging Markets (net)	0.74	-7.06	-1.27	3.56	-0.63	5-Year Treasury	4.44	4.12	3.60	4.00	4.03
Dow Jones Industrials	-0.42	-3.20	0.14	5.08	5.39	10-Year Treasury	4.23	3.81	3.49	3.87	3.79
Bloomberg Commodity Index	1.29	-1.37	4.80	-3.36	-10.98	30-Year Treasury	4.28	3.85	3.68	3.96	3.76
Bloomberg Aggregate	0.28	-1.58	-1.64	0.41	-2.97	Bloomberg Aggregate (YTW)	5.13	4.81	4.40	4.68	4.75
ICE BofA US High Yield	0.40	-0.72	0.69	6.14	3.91	Bloomberg Municipal Bond Blend 1-15 Year	3.54	3.23	2.87	3.18	3.73
Bloomberg Municipal Bond Blend 1-15 Year	-0.30	-1.29	-0.90	0.93	1.14	ICE BofA US High Yield	8.63	8.56	8.50	8.95	9.58
ICE BofA Global Government xUS (USD Unhedged)	-0.57	-3.41	-2.76	-3.21	-4.27	Currencies	8/25/23	6/30/23	3/31/23	12/30/22	9/30/22
ICE BofA Global Government xUS (USD Hedged)	0.44	-0.42	-0.80	2.65	-1.58	Euro (\$/€)	1.08	1.09	1.09	1.07	0.98
						Yen (¥/\$)	146.58	144.54	133.09	131.95	144.75
						Pound (\$/£)	1.26	1.27	1.24	1.20	1.12
						Commodities	8/25/23	6/30/23	3/31/23	12/30/22	9/30/22
						Crude Oil (WTI)	79.83	70.64	75.67	80.26	79.49
						Gold	1,940	1,929	1,986	1,826	1,672
						Volatility	8/25/23	6/30/23	3/31/23	12/30/22	9/30/22
						CBOE VIX	15.68	13.59	18.70	21.67	31.62

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
0.20	0.84	1.39	Large	10.72	15.99	20.83
-0.23	0.03	0.27	Mid	4.73	7.26	9.68
-1.09	-0.36	0.35	Small	3.17	4.56	5.97

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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