

Market Pulse *from the Investment Advisory Group*

August 7, 2023

In focus

Equity markets took a breather last week as the S&P 500 logged its worst weekly move since March and snapped three-straight weeks of gains. Additionally, in a rare occurrence, Fitch Ratings lowered the U.S. Government's long-term credit rating from the top-tier 'AAA' status to 'AA+', sending the market modestly lower. In response to the rating change, U.S. Treasury Secretary Janet Yellen wrote that U.S. government securities "remain the world's preeminent safe and liquid asset."

Corporate earnings were in full swing as well last week with 34% of the S&P 500 reporting second quarter results. According to FactSet, 79% of all the reports so far have beaten earnings expectations, yet the reported earnings growth remains negative and at its lowest level since the second quarter of 2020, as companies continue to battle macro headwinds.

On the economic front, nonfarm payrolls came in slightly below expectations adding 187K jobs in the month of July. Average hourly earnings moved higher, and the unemployment rate dropped to 3.5% and continues to hover near 50-year lows. While payroll gains were cooler than the pace of the last few months, they were not slow by any measure. It would be hard to categorize the report as anything other than solid.

A look back

- Equities struggled last week with U.S., international developed, and emerging markets equity each closing in the red by over 2%.
- The inversion between 2-/10-year U.S. Treasuries shrank last week as the 10-year yield moved up faster than the 2-year yield.
- The U.S. long-term credit rating was lowered by Fitch Ratings from 'AAA' to 'AA+', the second of the "big three" ratings agencies to remove its top-tier 'AAA' status.

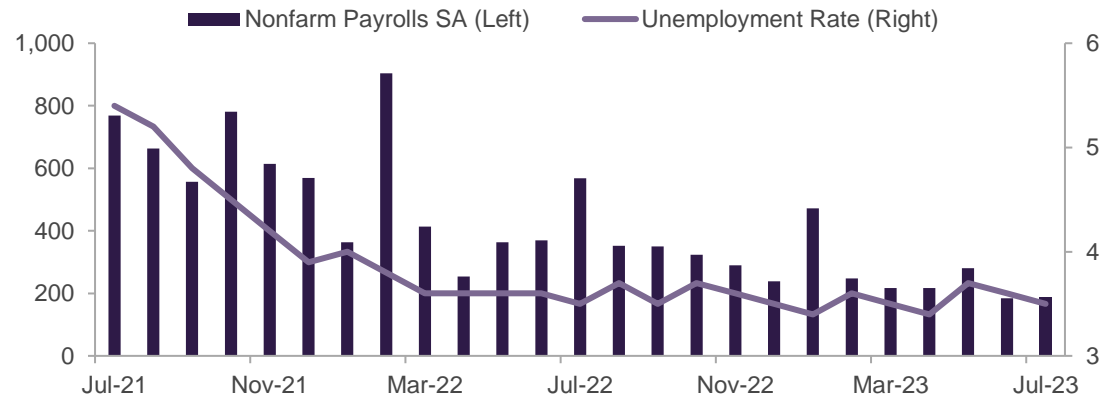
A look ahead

- With only 16% of the S&P 500 left to report earnings, brokerage conference season starts to get underway, and investors will look for incremental clues as to how 3Q23 is playing out so far.
- July inflation data will be in focus this week with consumer and producer price reports.
- Economic releases: NFIB Small Business Optimism, Wholesale Inventories, Consumer & Producer Prices, Trade Balance, and U. of Michigan Sentiment.

Chart of the week – Solid July jobs report

Last week's jobs report showed the U.S. added 187,000 to payrolls, and the unemployment rate fell 0.1% to 3.5%. While payroll gains were cooler than the strong pace of the past few months, they weren't slow by any measure.

Nonfarm Payrolls (000s) and the Unemployment Rate (%)



Data source: Truist IAG, FactSet



Wealth

Market Pulse

As of August 04, 2023

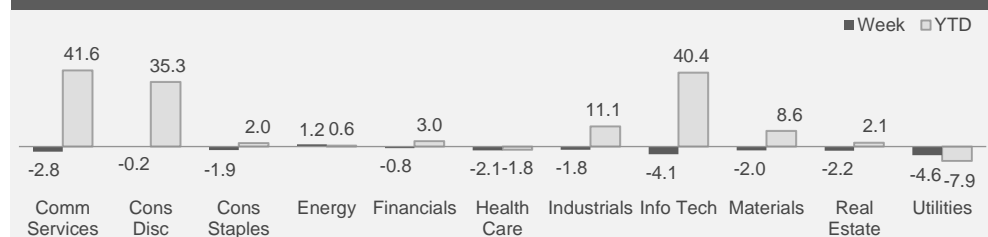
Index % Total Return	Week	MTD	QTD	YTD	1 Yr	Rates (%)	8/04/23	6/30/23	3/31/23	12/30/22	9/30/22
MSCI ACWI (net)	-2.32	-2.54	1.03	15.10	9.43	Fed Funds Target	5.50	5.25	5.00	4.50	3.25
S&P 500	-2.26	-2.40	0.73	17.75	9.67	T-Bill, 3-Month	5.40	5.31	4.75	4.41	3.23
MSCI EAFE (net)	-2.38	-2.51	0.64	12.38	13.50	2-Year Treasury	4.77	4.87	4.06	4.41	4.20
MSCI Emerging Markets (net)	-2.37	-2.72	3.34	8.39	5.25	5-Year Treasury	4.16	4.12	3.60	4.00	4.03
Dow Jones Industrials	-1.11	-1.39	2.01	7.04	9.43	10-Year Treasury	4.05	3.81	3.49	3.87	3.79
Bloomberg Commodity Index	-1.11	-1.25	4.92	-3.24	-6.14	30-Year Treasury	4.20	3.85	3.68	3.96	3.76
Bloomberg Aggregate	-0.59	-0.72	-0.79	1.29	-4.08	Bloomberg Aggregate (YTW)	4.91	4.81	4.40	4.68	4.75
ICE BofA US High Yield	-0.40	-0.61	0.80	6.26	2.67	Bloomberg Municipal Bond Blend 1-15 Year	3.43	3.23	2.87	3.18	3.73
Bloomberg Municipal Bond Blend 1-15 Year	-0.91	-0.90	-0.51	1.33	-0.16	ICE BofA US High Yield	8.54	8.56	8.50	8.95	9.58
ICE BofA Global Government xUS (USD Unhedged)	-1.46	-0.78	-0.10	-0.57	-6.53	Currencies	8/04/23	6/30/23	3/31/23	12/30/22	9/30/22
ICE BofA Global Government xUS (USD Hedged)	-0.78	-0.57	-0.95	2.49	-4.24	Euro (\$/€)	1.10	1.09	1.09	1.07	0.98
						Yen (¥/\$)	141.82	144.54	133.09	131.95	144.75
						Pound (\$/£)	1.28	1.27	1.24	1.20	1.12
						Commodities	8/04/23	6/30/23	3/31/23	12/30/22	9/30/22
						Crude Oil (WTI)	82.82	70.64	75.67	80.26	79.49
						Gold	1,976	1,929	1,986	1,826	1,672
						Volatility	8/04/23	6/30/23	3/31/23	12/30/22	9/30/22
						CBOE VIX	17.10	13.59	18.70	21.67	31.62

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

Week				YTD		
Value	Core	Growth		Value	Core	Growth
-1.75	-2.26	-2.68	Large	13.78	17.75	21.40
-1.31	-1.28	-1.25	Mid	9.86	11.40	12.87
-0.91	-0.88	-0.86	Small	9.44	9.91	10.38

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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