

Market Pulse *from the Investment Advisory Group*

September 11, 2023

In focus

Stocks retreated last week to give back a chunk of the previous week's gains. Value outperformed on the week, but small caps got hit hard. Though it was not a busy week for economic data, a few releases surprised to the upside and renewed concerns that the Federal Reserve (Fed) has more work to do.

Rising oil prices are presenting another headache for the Fed, as more expensive oil fuels inflationary pressures. Though the energy sector has rallied, higher oil prices and positive economic surprises again pushed bond yields up, which could to pose a headwind for equities. Futures markets are now pricing in a 44% chance of a 0.25% rate increase at one of the next two Fed policy meetings, and the policy-sensitive 2-year yield nearly matched its 2023 peak on Wednesday.

On the other hand, bulls were invigorated by the positive economic surprises reinforcing the potential for a soft landing. Cautious Fed speak suggested the central bank may be content to skip a rate hike in September, and bullish sentiment jumped above the historical average for the first time in four weeks according to the weekly AAI Investor Sentiment Survey. Bullish investors have pointed to consumer strength amid weakening inflation, which will be put to the test with August Retail Sales and inflation releases this week.

A look back

- Equities were challenged as the S&P 500 fell about 1.3%. U.S. small caps struggled and dropped 4.3%. Emerging markets outperformed last week and international developed markets lagged.
- Yields climbed amid positive economic data. The 2-year U.S. Treasury yield climbed and closed the week at 4.97%.
- Weekly jobless claims dropped sharply, though this may have been skewed by Labor Day and Hurricane Idalia.

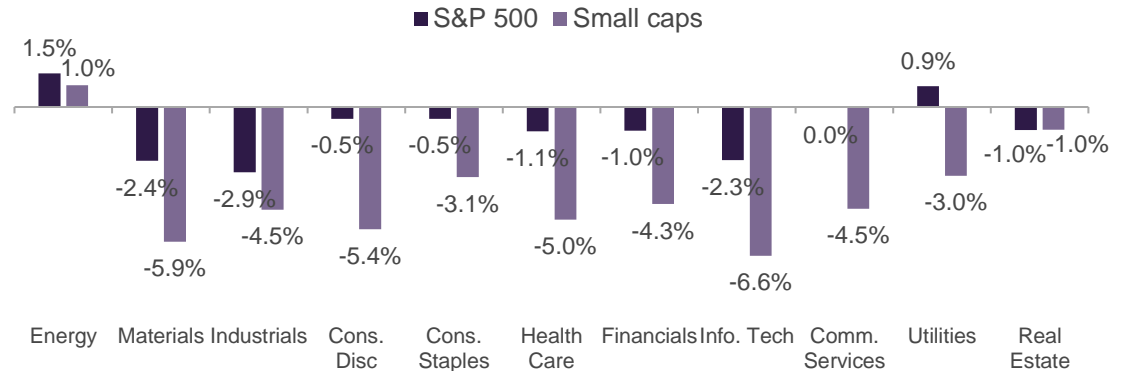
A look ahead

- Inflation reports will highlight a bevy of key economic releases. August Consumer and Producer Price Indices (CPI/PPI) will provide the Fed with valuable data points ahead of its policy decision later this month.
- The August Retail Sales print, set to be released on Thursday, will be an important barometer of consumer strength.
- Economic releases: CPI, PPI, Retail Sales, Industrial Production, Empire Manufacturing, and U. of Michigan Consumer Sentiment.

Chart of the week – S&P 500 outperforming small caps

The S&P 500 outperformed small caps handily last week. The outperformance was broad-based with S&P 500 sectors outperforming their small cap counterparts in every sector except real estate.

Weekly sector performance as of 9/8



Data source: Truist IAG, FactSet. Small caps = S&P Small Cap 600. All sectors are represented by their sector in the respective index. Past performance does not guarantee future results.



Wealth

Market Pulse

As of September 08, 2023

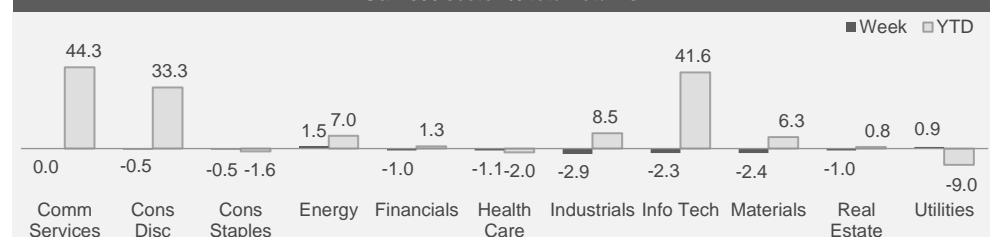
| Index % Total Return | Week | MTD | QTD | YTD | 1 Yr | Rates (%) | 9/08/23 | 6/30/23 | 3/31/23 | 12/30/22 | 9/30/22 |
|-----------------------------------------------|-------|-------|-------|-------|-------|------------------------------------------|---------|---------|---------|----------|---------|
| MSCI ACWI (net) | -1.32 | -1.15 | -0.40 | 13.48 | 12.66 | Fed Funds Target | 5.50 | 5.25 | 5.00 | 4.50 | 3.25 |
| S&P 500 | -1.26 | -1.08 | 0.47 | 17.45 | 13.12 | T-Bill, 3-Month | 5.45 | 5.31 | 4.75 | 4.41 | 3.23 |
| MSCI EAFE (net) | -1.38 | -1.61 | -2.32 | 9.08 | 18.35 | 2-Year Treasury | 4.97 | 4.87 | 4.06 | 4.41 | 4.20 |
| MSCI Emerging Markets (net) | -1.17 | -0.63 | -0.95 | 3.90 | 4.43 | 5-Year Treasury | 4.40 | 4.12 | 3.60 | 4.00 | 4.03 |
| Dow Jones Industrials | -0.70 | -0.36 | 1.00 | 5.99 | 11.18 | 10-Year Treasury | 4.26 | 3.81 | 3.49 | 3.87 | 3.79 |
| Bloomberg Commodity Index | -0.50 | 0.17 | 5.62 | -2.60 | -4.25 | 30-Year Treasury | 4.33 | 3.85 | 3.68 | 3.96 | 3.76 |
| Bloomberg Aggregate | -0.30 | -0.77 | -1.47 | 0.59 | -1.10 | Bloomberg Aggregate (YTW) | 5.11 | 4.81 | 4.40 | 4.68 | 4.75 |
| ICE BofA US High Yield | -0.29 | -0.31 | 1.40 | 6.89 | 6.13 | Bloomberg Municipal Bond Blend 1-15 Year | 3.54 | 3.23 | 2.87 | 3.18 | 3.73 |
| Bloomberg Municipal Bond Blend 1-15 Year | -0.15 | -0.16 | -0.78 | 1.05 | 2.03 | ICE BofA US High Yield | 8.60 | 8.56 | 8.50 | 8.95 | 9.58 |
| ICE BofA Global Government xUS (USD Unhedged) | -1.29 | -1.82 | -3.32 | -3.77 | -0.44 | Currencies | 9/08/23 | 6/30/23 | 3/31/23 | 12/30/22 | 9/30/22 |
| ICE BofA Global Government xUS (USD Hedged) | -0.26 | -0.42 | -0.71 | 2.74 | 0.19 | Euro (\$/€) | 1.07 | 1.09 | 1.09 | 1.07 | 0.98 |
| | | | | | | Yen (¥/\$) | 147.67 | 144.54 | 133.09 | 131.95 | 144.75 |
| | | | | | | Pound (\$/£) | 1.25 | 1.27 | 1.24 | 1.20 | 1.12 |
| | | | | | | Commodities | 9/08/23 | 6/30/23 | 3/31/23 | 12/30/22 | 9/30/22 |
| | | | | | | Crude Oil (WTI) | 87.51 | 70.64 | 75.67 | 80.26 | 79.49 |
| | | | | | | Gold | 1,943 | 1,929 | 1,986 | 1,826 | 1,672 |
| | | | | | | Volatility | 9/08/23 | 6/30/23 | 3/31/23 | 12/30/22 | 9/30/22 |
| | | | | | | CBOE VIX | 13.84 | 13.59 | 18.70 | 21.67 | 31.62 |

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

| Week | | | | YTD | | |
|-------|-------|--------|-------|-------|-------|--------|
| Value | Core | Growth | | Value | Core | Growth |
| -1.03 | -1.26 | -1.46 | Large | 11.93 | 17.45 | 22.50 |
| -3.91 | -3.54 | -3.20 | Mid | 4.59 | 7.14 | 9.57 |
| -4.74 | -4.33 | -3.93 | Small | 1.97 | 3.65 | 5.33 |

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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