

In focus

Negative sentiment continues to fuel a spike in market volatility amid a fluid situation surrounding the Russia-Ukraine war. This continues to command center stage; however, Thursday's release of consumer prices will figure prominently into next week's FOMC meeting. Key themes for the week:

- The Federal Reserve's (Fed) path to rate liftoff remains in focus after Chair Powell testified to Congress last week that he expects a rate hike at next week's meeting. Concerns about modest Fed tightening have been overshadowed by the Russia-Ukraine war. The war poses a greater near-term catalyst for tightening financial conditions than Fed policy. Economic effects from the war, sanctions, and the duration of the conflict are impacting the European recovery, which could find itself at the epicenter of global inflation as well.
- An extended conflict substantially raises the risk of widening the geographic scope of an economic slowdown and potentially making it deeper in magnitude.
- Inflationary forces could get exacerbated if sanctions target Russia's natural resources in addition to limitations on Ukraine's rich resources of wheat, corn and iron.
- Risks of cyberattacks from Russia have also risen with key targets suspected to be government offices, financial systems, or power grids. That said, the U.S. is deemed more secure than some of our European allies.
- Any truce would be welcomed by markets with suspicious optimism seeking confirmation.

Our base case continues to anticipate downgrades in global economic growth with recession risks marginally higher abroad. Our view is the U.S. remains the best seat in the house.

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A look back

- Global equity markets finished the week lower with broad-based declines. U.S. stocks topped their global peers, while international developed markets equities were dragged lower by shares in Europe.
- The U.S. yield curve flattened further last week as fixed income markets began to price in an economic slowdown with persistent inflation and a growing global impact from the war.
- Fed Chair Powell testified to both houses of Congress last week, affirming expectations for a modest rate hike at next week's FOMC meeting.

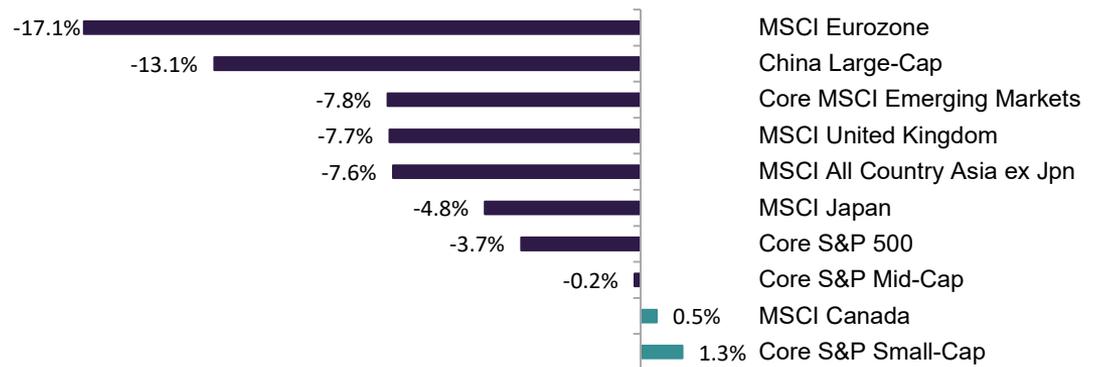
A look ahead

- Top of mind this week is whether or not the U.S. and parts of Europe will extend sanctions by placing a ban on the import of Russian oil.
- Tightening financial conditions from the economic effects of the Russia-Ukraine war could overshadow next week's Fed meeting and its anticipated 0.25% rate hike.
- Economic releases: NFIB Small Business Optimism, Trade Balance, Wholesale Inventories, Consumer Price Index, University of Michigan Sentiment, MBA Mortgage Applications.

Chart of the week – Markets recoil on Russian invasion

The Russian invasion of Ukraine has magnified European market drawdowns. Eurozone markets now trade near all-time lows relative to the S&P 500 for rolling 30-day time periods since 2002. Small cap stocks, whose revenue streams are heavily U.S.-centric, have outperformed and generated positive returns over the last month. Markets that are most exposed to Russia geographically or economically have seen the greatest damage. Our equity positioning continues to benefit from a U.S. bias during this period of turmoil.

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Market Pulse

As of March 4, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-2.72	-2.66	-9.83	-9.83	5.48
S&P 500	-1.24	-1.01	-8.94	-8.94	16.43
MSCI EAFE (net)	-6.51	-6.57	-12.66	-12.66	-4.76
MSCI Emerging Markets (net)	-2.29	-2.24	-6.95	-6.95	-13.11
Dow Jones Industrials	-1.23	-0.77	-7.15	-7.15	10.69
NASDAQ Composite	-2.78	-3.18	-14.90	-14.90	4.62
S&P U.S. REIT	1.17	2.85	-7.37	-7.37	27.91
Bloomberg Commodity Index	13.03	10.90	28.15	28.15	49.71
Bloomberg Aggregate	0.95	0.16	-3.09	-3.09	-1.79
ICE BofA US High Yield	-0.09	-0.34	-3.95	-3.95	0.43
Bloomberg Municipal Bond Blend 1-15 Year	-0.01	-0.11	-2.85	-2.85	-1.43
ICE BofA Global Government xUS (USD Unhedged)	0.42	-0.08	-3.35	-3.35	-8.75
ICE BofA Global Government xUS (USD Hedged)	1.51	1.13	-1.44	-1.44	-1.07
JP Morgan EMBI Global Diversified	-4.12	-2.20	-11.20	-11.20	-9.42

Rates (%)	3/04/22	12/31/21	9/30/21	6/30/21	3/31/21
Fed Funds Target	0.25	0.25	0.25	0.25	0.25
Libor, 3-Month	0.61	0.20	0.13	0.14	0.19
T-Bill, 3-Month	0.32	0.05	0.03	0.05	0.02
2-Year Treasury	1.49	0.72	0.28	0.25	0.16
5-Year Treasury	1.62	1.26	0.99	0.87	0.93
10-Year Treasury	1.72	1.51	1.52	1.44	1.73
30-Year Treasury	2.14	1.90	2.09	2.06	2.42
Bloomberg Aggregate (YTW)	2.32	1.75	1.56	1.50	1.61
Bloomberg Municipal Bond Blend 1-15 Year	1.67	0.87	0.84	0.76	0.87
ICE BofA US High Yield	5.75	4.31	4.08	3.85	4.27
Currencies	3/04/22	12/31/21	9/30/21	6/30/21	3/31/21
Euro (\$/€)	1.09	1.14	1.16	1.19	1.18
Yen (¥/\$)	114.81	115.16	111.57	110.99	110.50
Pound (\$/£)	1.32	1.35	1.35	1.38	1.38
Commodities	3/04/22	12/31/21	9/30/21	6/30/21	3/31/21
Crude Oil (WTI)	115.68	75.21	75.03	73.47	59.16
Gold	1,967	1,829	1,757	1,772	1,716
Volatility	3/04/22	12/31/21	9/30/21	6/30/21	3/31/21
CBOE VIX	31.98	17.22	23.14	15.83	19.40

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-0.42	-1.24	-2.06	-2.89	-8.94	-14.38	Large
-1.38	-1.70	-2.04	-4.00	-7.78	-11.46	Mid
-0.30	-0.86	-1.46	-2.74	-7.17	-11.49	Small



Data Source: Truist, FactSet

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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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