

In focus

On Wednesday, the Federal Open Market Committee (FOMC) hiked interest rates 0.25% for the first time since December 2018. In his press release, Federal Reserve (Fed) Chair Powell took a more hawkish tone and underscored the Fed's commitment to fighting inflation.

In the bond market, we saw the spread between the 10-year and 2-year U.S. Treasury curve flatten. This has largely been a result of 2-year yields, which are more sensitive to monetary policy changes, increasing at a faster pace than 10-year yields. Since the start of the year, 2-year yields have risen 120 basis points (1.2%) while 10-year yields have only risen 63 basis points. Our view is this largely reflects market participants fearing that the Fed's focus on inflation will weigh on longer-term growth, which is reflected in the longer-term yields not rising as quickly as shorter-term yields.

On the other hand, the equity market rallied, notching its strongest gains since November of 2020. This was likely due in part to Chair Powell's comments around the economy being on strong footing; whereas, participants had been fearing recession. The market was also boosted by geopolitical developments with China telling the U.S. that they did not want war in Ukraine.

Our view remains that while recession concerns are legitimate, the economy remains on solid footing, recession risk remains low, and that what we have seen in the stock market is a correction within an ongoing bull market. We also acknowledge that the outcomes are unusually wide.

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A look back

- Global stocks rallied, with the MSCI ACWI gaining 5.8%, its strongest week since November 2020. U.S. stocks gained 6.2%, besting their international developed and emerging market peers.
- 10-year U.S. Treasury yields rose to 2.14% and the spread between the 10-year and 2-year yields flattened by three basis points.
- The Federal Reserve (Fed) hiked interest rates 0.25% for the first time since December 2018. The Fed took a more hawkish tone and signaled its commitment to fighting inflation.

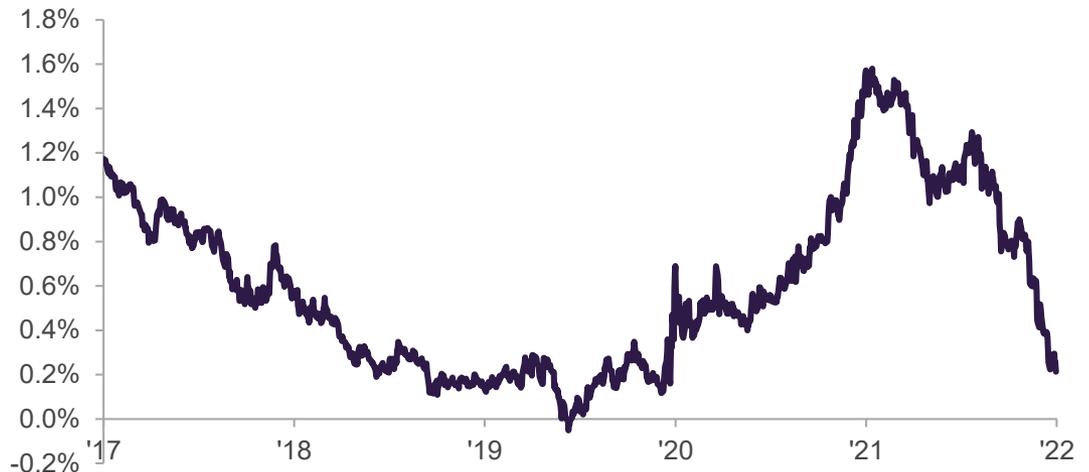
A look ahead

- Market participants will be monitoring statements from Fed officials, which have taken a more hawkish tone in the wake of continued elevated inflation readings.
- Investors are also keeping an eye on geopolitical developments, including negotiations between Russia and Ukraine as well as China's role in the conflict.
- Economic releases: New Home Sales, Durable Goods Orders, MBA Mortgage Applications, University of Michigan Sentiment.

Chart of the week – Yield curve reflects Fed policy angst

The spread between the 10-year and 2-year U.S. Treasury yields, which is closely watched as a recession indicator, reflects investor angst at Fed policy. The flattening has largely been a result of short yields rising faster than intermediate and longer-term yields.

Spread between 10-year and 2-year U.S. Treasury yields



Data Source: Truist IAG, Bloomberg

Market Pulse

As of March 18, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	5.76	0.61	-6.80	-6.80	5.71
S&P 500	6.19	2.13	-6.05	-6.05	15.54
MSCI EAFE (net)	5.60	-0.80	-7.26	-7.26	-1.73
MSCI Emerging Markets (net)	3.50	-3.96	-8.59	-8.59	-14.79
Dow Jones Industrials	5.53	2.71	-3.89	-3.89	7.71
NASDAQ Composite	8.18	1.04	-11.19	-11.19	5.91
S&P U.S. REIT	2.52	3.85	-6.47	-6.47	21.67
Bloomberg Commodity Index	-2.39	7.71	24.47	24.47	47.37
Bloomberg Aggregate	-0.39	-1.98	-5.16	-5.16	-3.07
ICE BofA US High Yield	0.50	-1.36	-4.93	-4.93	0.16
Bloomberg Municipal Bond Blend 1-15 Year	-0.45	-1.45	-4.16	-4.16	-2.69
ICE BofA Global Government xUS (USD Unhedged)	-0.62	-3.02	-6.19	-6.19	-10.42
ICE BofA Global Government xUS (USD Hedged)	-0.29	-0.79	-3.31	-3.31	-2.79
JP Morgan EMBI Global Diversified	1.92	-0.63	-9.78	-9.78	-7.42

Rates (%)	3/18/22	12/31/21	9/30/21	6/30/21	3/31/21
Fed Funds Target	0.50	0.25	0.25	0.25	0.25
Libor, 3-Month	0.93	0.20	0.13	0.14	0.19
T-Bill, 3-Month	0.40	0.05	0.03	0.05	0.02
2-Year Treasury	1.95	0.72	0.28	0.25	0.16
5-Year Treasury	2.14	1.26	0.99	0.87	0.93
10-Year Treasury	2.14	1.51	1.52	1.44	1.73
30-Year Treasury	2.41	1.90	2.09	2.06	2.42
Bloomberg Aggregate (YTW)	2.72	1.75	1.56	1.50	1.61
Bloomberg Municipal Bond Blend 1-15 Year	2.02	0.87	0.84	0.76	0.87
ICE BofA US High Yield	6.07	4.31	4.08	3.85	4.27
Currencies	3/18/22	12/31/21	9/30/21	6/30/21	3/31/21
Euro (\$/€)	1.10	1.14	1.16	1.19	1.18
Yen (¥/\$)	119.17	115.16	111.57	110.99	110.50
Pound (\$/£)	1.32	1.35	1.35	1.38	1.38
Commodities	3/18/22	12/31/21	9/30/21	6/30/21	3/31/21
Crude Oil (WTI)	103.09	75.21	75.03	73.47	59.16
Gold	1,929	1,829	1,757	1,772	1,716
Volatility	3/18/22	12/31/21	9/30/21	6/30/21	3/31/21
CBOE VIX	23.87	17.22	23.14	15.83	19.40

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
4.25	6.19	8.18	-1.20	-6.05	-10.41	Large
4.17	5.32	6.57	-0.85	-4.49	-8.05	Mid
2.97	4.26	5.67	-0.81	-4.25	-7.61	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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