

# Market Pulse *from the Investment Advisory Group*

June 6, 2022

## In focus

Investors are focused on the two components of the Federal Reserve's (Fed) dual mandate - employment and inflation. Progress and setbacks in these two areas are shaping participants' expectations for rate hikes. Two developments last week suggest the Fed will sustain its aggressive tightening plans.

The May jobs report was released showing a gain of 390,000 jobs during the month. This figure was stronger than the anticipated 320,000 and the unemployment rate was unmoved at a low 3.6%. The strength in the jobs market was broad-based among all major industries except retail. As we have written, the retail industry's weakness may be more a function of over-hiring during the pandemic and historically low quit rates. What investors saw in the report was a jobs market that will give the Fed little reason to pause.

At the same time, inflation continues to run hot and oil prices and the broader energy markets weigh heavily as their impact can be systemic. False relief was in the headlines last week as OPEC members pledged an increase in production to offset what is likely to be an EU embargo on 90% of Russian oil, pending final negotiations. However, the increase in production is mostly a pull-forward from previously planned increases scheduled for the Fall. Additionally, the increase pales in comparison to the likely effect of the embargo - 650 kb/d OPEC increase vs. 3.4 mb/d estimated loss via embargo. As a result, the price of crude oil extended its rise and should continue to weigh heavily on inflation. Ultimately, we expect inflation to fall from its elevated readings though settle above pre-pandemic levels.

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## A look back

- Major U.S. stock indices fell during the holiday-shortened week, with the S&P 500 declining -1.2%. Emerging market stocks were a bright spot increasing 1.8%, while international developed markets fell -0.3%.
- The Bloomberg Aggregate Bond Index lost -0.9% on the week as 2-year and 10-year U.S. Treasury yields both increased by 0.19%. The 10-year yield finished the week at 2.94%.
- May payrolls increased by 390,000 outpacing the consensus estimate of 320,000. The unemployment rate was unchanged at 3.6%.

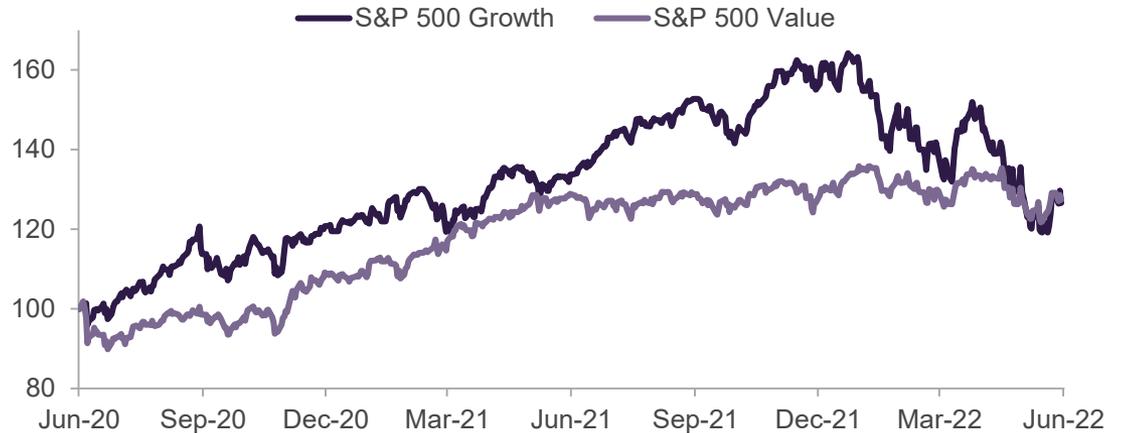
## A look ahead

- Investors will be focused on May's inflation report on Friday for signs on whether inflation is peaking and what it means for Fed policy.
- Initial jobless claims will be released on Thursday. While this data is released weekly, it tends to be a leading indicator. Economists are beginning to watch more closely for signs of a slowing economy and cooling labor market.
- Economic releases: Wholesale Inventories, Jobless Claims, Consumer Price Index, University of Michigan Sentiment.

## Chart of the week – Value closes the gap

Growth and value style are now roughly equal in performance dating back to the COVID-19 pandemic. Growth led out of the pandemic but has lagged more recently as value has been boosted by strong growth, higher interest rates, and the underperformance of the technology sector, the largest sector in growth indices.

## Growth vs. value relative performance



Data Source: Truist IAG, FactSet.

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# Market Pulse

As of June 03, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-0.52	-0.53	-8.39	-13.30	-7.26
S&P 500	-1.15	-0.54	-9.04	-13.23	-0.60
MSCI EAFE (net)	-0.28	-0.40	-6.15	-11.70	-11.09
MSCI Emerging Markets (net)	1.77	-1.53	-6.60	-13.11	-21.43
Dow Jones Industrials	-0.83	-0.20	-4.71	-8.62	-3.00
NASDAQ Composite	-0.98	-0.57	-15.53	-23.22	-11.72
S&P U.S. REIT	-1.86	-0.89	-11.17	-14.91	-0.81
Bloomberg Commodity Index	-0.02	1.89	7.73	35.25	43.66
Bloomberg Aggregate	-0.88	-0.39	-3.55	-9.28	-8.32
ICE BofA US High Yield	-0.42	-0.40	-3.78	-8.12	-5.53
Bloomberg Municipal Bond Blend 1-15 Year	0.35	0.23	-0.49	-5.80	-5.44
ICE BofA Global Government xUS (USD Unhedged)	-2.55	-1.27	-8.94	-15.50	-19.55
ICE BofA Global Government xUS (USD Hedged)	-1.46	-0.61	-3.74	-7.58	-6.99
JP Morgan EMBI Global Diversified	-0.69	-0.33	-5.88	-15.31	-15.72

Rates (%)	6/03/22	3/31/22	12/31/21	9/30/21	6/30/21
Fed Funds Target	1.00	0.50	0.25	0.25	0.25
Libor, 3-Month	1.62	0.96	0.20	0.13	0.14
T-Bill, 3-Month	1.15	0.51	0.05	0.03	0.05
2-Year Treasury	2.68	2.28	0.72	0.28	0.25
5-Year Treasury	2.94	2.42	1.26	0.99	0.87
10-Year Treasury	2.95	2.32	1.51	1.52	1.44
30-Year Treasury	3.11	2.45	1.90	2.09	2.06
Bloomberg Aggregate (YTW)	3.47	2.92	1.75	1.56	1.50
Bloomberg Municipal Bond Blend 1-15 Year	2.56	2.36	0.87	0.84	0.76
ICE BofA US High Yield	7.24	6.02	4.31	4.08	3.85
Currencies	6/03/22	3/31/22	12/31/21	9/30/21	6/30/21
Euro (\$/€)	1.07	1.11	1.14	1.16	1.19
Yen (¥/\$)	130.73	121.37	115.16	111.57	110.99
Pound (\$/£)	1.25	1.32	1.35	1.35	1.38
Commodities	6/03/22	3/31/22	12/31/21	9/30/21	6/30/21
Crude Oil (WTI)	118.87	100.28	75.21	75.03	73.47
Gold	1,850	1,954	1,829	1,757	1,772
Volatility	6/03/22	3/31/22	12/31/21	9/30/21	6/30/21
CBOE VIX	24.79	20.56	17.22	23.14	15.83

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.32	-1.15	-0.97	-3.95	-13.23	-21.54	Large
-0.89	-0.71	-0.51	-5.37	-10.74	-15.96	Mid
-0.43	-0.40	-0.37	-5.19	-10.79	-16.31	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.

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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 BofA 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.

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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 SBBB U.S. Large Stock Index measures the total return of U.S. large cap stocks on a monthly basis.

IA SBBB Intermediate-Term Government Bond Index measures the total return of U.S. intermediate-term government bonds on a monthly basis.

IA SBBB 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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