

# Market Pulse *from the Investment Advisory Group*

July 25, 2022

## In focus

The Federal Reserve (Fed) will have its two-day July Federal Open Market Committee (FOMC) meeting this week. The twelve-member FOMC is charged with rate-setting policy and markets are pricing in a 75 basis point (0.75%) rate hike. This would bring the top-end of the benchmark short-term lending rate up to 2.5%.

The Fed's actions in normalizing policy this year has begun to have an impact on three key areas of the economy as it looks to tame inflation with its aggressive actions.

The first is the housing market, and we received existing home sales and housing permit data last week suggesting the market is continuing to cool amid borrowing rates that are nearly two times the pandemic lows. However, housing data is cooling from previously red-hot levels. The next area is commodities where the Bloomberg Commodity Index has declined by roughly 15% from the June highs, primarily as a result of feared demand destruction via slowing economic growth. Finally, the impact to initial jobless claims must be watched closely as an indication of how companies might be feeling about their economic futures. Last week showed a 251,000 increase, the highest this year and the third weekly increase in a row. Again, context is important as the unemployment rate still resides at a very low 3.6% and the economy continues to add jobs at a robust rate.

These are among the areas that have spooked investors about the state of the economy. We maintain that a recession is not a foregone conclusion, though we acknowledge that risks are rising. There are pockets of strength in the economy, particularly the strength of the consumer, businesses that are in good shape, and a still-strong labor market.

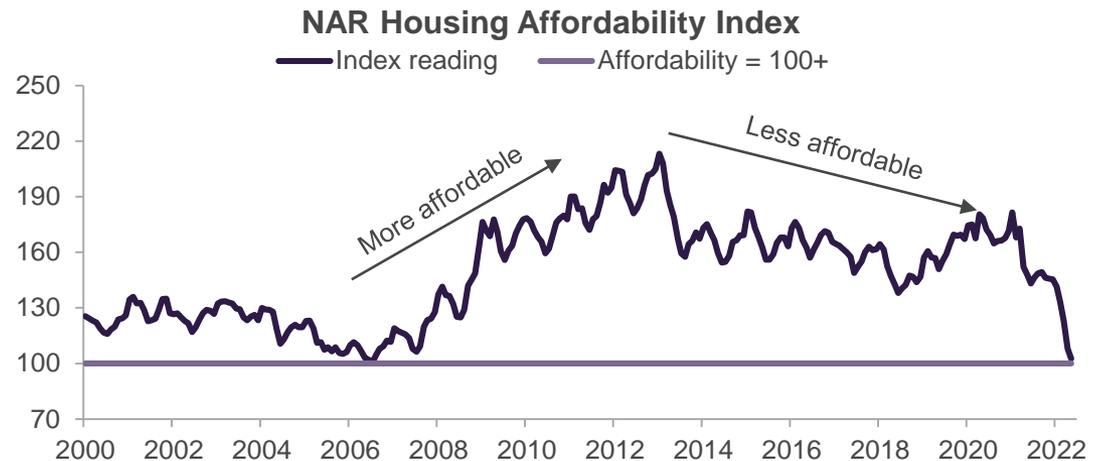
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| A look back   | A look ahead  |
|---|---|
| <ul style="list-style-type: none"> <li>• Global stocks marched higher last week as a broad-based rally lifted international developed (+4.4%), emerging markets (+3.0%), and U.S. stocks (+2.6%).</li> <li>• The 2/10-year U.S. Treasury yield curve remains inverted and dipped further into inversion last week. The 10-year yield declined as did the 2-year yield following softer economic data releases.</li> <li>• The European Central Bank (ECB) increased their short-term policy rate by 0.50%, getting the benchmark rate to 0% amid fears of weak growth, political instability, and energy insecurity.</li> </ul> | <ul style="list-style-type: none"> <li>• This week's FOMC meeting will be top of mind as investors look for any change in tune from Fed officials as they try to tame inflation without denting economic growth.</li> <li>• June Personal Consumption Expenditures (PCE) data will be released this week providing Fed officials with their preferred metric regarding prices.</li> <li>• Economic Releases: New Home Sales, Durable Goods Orders, Personal Consumption Expenditures, Univ. of Michigan Sentiment, Conference Board Consumer Confidence, Q2 GDP.</li> </ul> |

## Chart of the week – Housing affordability at key support

The National Association of Realtors Affordability Index compares household income and whether it is sufficient to qualify for a mortgage loan based on the most recent pricing data in a particular region. The recent combination of higher home prices and higher mortgage rates has quickly hurt the affordability of housing.



Data Source: Truist IAG, Haver Analytics. Data as of 5/31/2022. Readings greater than 100 are considered affordable.

Wealth

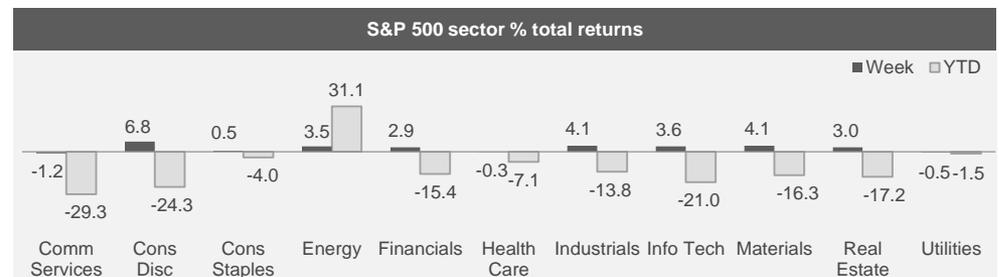
# Market Pulse

As of July 22, 2022

| Index % Total Return                          | Week | MTD   | QTD   | YTD    | 1 Yr   |
|---|------|-------|-------|--------|--------|
| MSCI ACWI (net)                               | 3.19 | 3.60  | 3.60  | -17.31 | -13.08 |
| S&P 500                                       | 2.57 | 4.73  | 4.73  | -16.17 | -7.92  |
| MSCI EAFE (net)                               | 4.43 | 2.81  | 2.81  | -17.31 | -15.19 |
| MSCI Emerging Markets (net)                   | 3.00 | -0.65 | -0.65 | -18.16 | -23.20 |
| Dow Jones Industrials                         | 2.00 | 3.74  | 3.74  | -11.24 | -6.57  |
| NASDAQ Composite                              | 3.33 | 7.30  | 7.30  | -24.36 | -19.34 |
| S&P U.S. REIT                                 | 3.33 | 3.79  | 3.79  | -17.58 | -6.97  |
| Bloomberg Commodity Index                     | 2.74 | -0.32 | -0.32 | 18.05  | 22.51  |
| Bloomberg Aggregate                           | 1.17 | 1.79  | 1.79  | -8.74  | -9.54  |
| ICE BofA US High Yield                        | 2.58 | 4.49  | 4.49  | -10.17 | -8.91  |
| Bloomberg Municipal Bond Blend 1-15 Year      | 0.24 | 1.48  | 1.48  | -5.43  | -5.73  |
| ICE BofA Global Government xUS (USD Unhedged) | 2.17 | 0.33  | 0.33  | -18.58 | -22.45 |
| ICE BofA Global Government xUS (USD Hedged)   | 0.52 | 1.44  | 1.44  | -6.90  | -7.94  |
| JP Morgan EMBI Global Diversified             | 2.97 | 0.45  | 0.45  | -19.95 | -21.13 |

| Rates (%)                                | 7/22/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 |
|--|---------|---------|---------|----------|---------|
| Fed Funds Target                         | 1.75    | 1.75    | 0.50    | 0.25     | 0.25    |
| Libor, 3-Month                           | 2.76    | 2.28    | 0.96    | 0.20     | 0.13    |
| T-Bill, 3-Month                          | 2.37    | 1.64    | 0.51    | 0.05     | 0.03    |
| 2-Year Treasury                          | 2.99    | 2.93    | 2.28    | 0.72     | 0.28    |
| 5-Year Treasury                          | 2.87    | 3.00    | 2.42    | 1.26     | 0.99    |
| 10-Year Treasury                         | 2.78    | 2.97    | 2.32    | 1.51     | 1.52    |
| 30-Year Treasury                         | 2.99    | 3.12    | 2.45    | 1.90     | 2.09    |
| Bloomberg Aggregate (YTW)                | 3.53    | 3.72    | 2.92    | 1.75     | 1.56    |
| Bloomberg Municipal Bond Blend 1-15 Year | 2.54    | 2.82    | 2.36    | 0.87     | 0.84    |
| ICE BofA US High Yield                   | 7.99    | 8.93    | 6.02    | 4.31     | 4.08    |
| Currencies                               | 7/22/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 |
| Euro (\$/€)                              | 1.02    | 1.05    | 1.11    | 1.14     | 1.16    |
| Yen (¥/\$)                               | 136.05  | 135.86  | 121.37  | 115.16   | 111.57  |
| Pound (\$/£)                             | 1.20    | 1.21    | 1.32    | 1.35     | 1.35    |
| Commodities                              | 7/22/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 |
| Crude Oil (WTI)                          | 94.70   | 105.76  | 100.28  | 75.21    | 75.03   |
| Gold                                     | 1,727   | 1,807   | 1,954   | 1,829    | 1,757   |
| Volatility                               | 7/22/22 | 6/30/22 | 3/31/22 | 12/31/21 | 9/30/21 |
| CBOE VIX                                 | 23.03   | 28.71   | 20.56   | 17.22    | 23.14   |

| U.S. style % total returns (S&P indexes) |      |        |        |        |        |       |
|--|------|--------|--------|--------|--------|-------|
| Week                                     |      |        | YTD    |        |        |       |
| Value                                    | Core | Growth | Value  | Core   | Growth |       |
| 1.73                                     | 2.57 | 3.44   | -9.22  | -16.17 | -22.40 | Large |
| 3.42                                     | 4.05 | 4.74   | -10.10 | -14.96 | -19.68 | Mid   |
| 3.68                                     | 4.24 | 4.88   | -10.91 | -14.78 | -18.54 | 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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