

Market Pulse *from the Investment Advisory Group*

August 1, 2022

In focus

The two primary market movers remained in the drivers seat last week — inflation and economic growth. The Federal Reserve (Fed) continued to battle inflation by raising interest rates another 75 basis points (0.75%). Additionally, U.S. second quarter Gross Domestic Product (GDP) was released, showing the second negative real growth quarter in a row. This dichotomy of higher inflation or slower growth highlights the challenge that the markets are struggling to price.

Despite the oversized Fed funds rate hike last week, U.S. equity markets marched forward, taking some small pieces of hope from Fed Chair Powell's press conference after the decision. Powell reiterated the flexibility of the Fed going forward but said they would be less clear about forward policy decisions and markets took this to mean that they would be slowing down their aggressive rate hikes. The bond market looked through this optimism and continued to price in anticipated economic hardship.

As mentioned, the U.S. economy again experienced negative growth in the second quarter with a -0.9% annualized rate. This mainly highlights the huge price increases as nominal GDP was up 7.8% on an annualized basis. The U.S. consumer was one of the bright spots, while business investment and inventories continued to be a drag on overall economic output for the quarter.

We expect the market to be range bound as this tug-of-war continues and the short-term risk/reward isn't appealing in our view. Individual time frames are important as is having an asset allocation aligned with one's goals and risk tolerance. For investors who are overallocated to equities relative to their long-term allocations, our view is this is a reasonable spot to trim exposure.

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A look back

- Global equities posted strong gains last week. The U.S. led the way with the S&P 500 up by 4.3%, followed by international developed markets' 2.1% gain. Emerging markets lagged, gaining 0.4%.
- Bond yields fell last week in a mostly parallel move as market participants continued to price in an economic slowdown. Accordingly, the 10-year yield dropped by about 0.13%.
- The Federal Reserve (Fed) raised interest rates by another 75 basis points (0.75%) pushing the federal funds rate to a range of 2.25-2.5%.

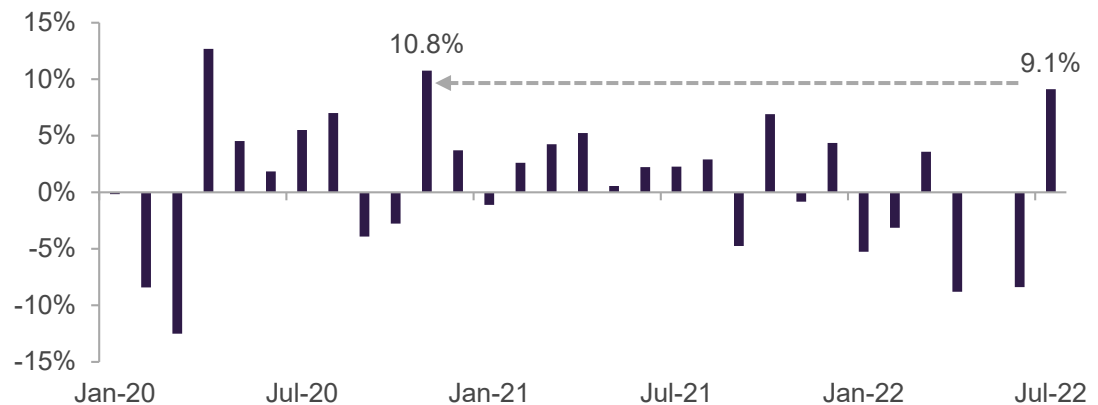
A look ahead

- After the Fed and the European Central Bank raised rates the past two weeks, the Bank of England will likely lift their policy rate this week too in a global synchronized monetary tightening dance.
- Investors will be watching the July jobs report this week for signs of labor market strength and any potential shift in policy from the Fed as a result.
- Economic Releases: S&P Global U.S. & ISM Manufacturing/Services, Durable Goods Orders, Factory Orders, Trade Balance, Nonfarm Payrolls, and the Unemployment Rate.

Chart of the week – S&P 500 has its best month since November 2020

After four of the first six months of the year were negative, July posted the best performance for the S&P 500 since November 2020 as the market rebounded from its mid-June low. The rally was helped by earnings releases and market optimism that the Fed may slow down its rate hikes.

S&P 500 monthly performance



Data Source: Truist IAG, FactSet. Past performance does not guarantee future results.

Wealth

Market Pulse

As of July 29, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	3.27	6.98	6.98	-14.61	-10.48
S&P 500	4.28	9.22	9.22	-12.58	-4.64
MSCI EAFE (net)	2.11	4.98	4.98	-15.56	-14.32
MSCI Emerging Markets (net)	0.41	-0.25	-0.25	-17.83	-20.09
Dow Jones Industrials	2.97	6.82	6.82	-8.60	-4.14
NASDAQ Composite	4.70	12.35	12.35	-20.80	-15.55
S&P U.S. REIT	4.95	8.93	8.93	-13.50	-3.43
Bloomberg Commodity Index	4.60	4.26	4.26	23.49	27.23
Bloomberg Aggregate	0.64	2.44	2.44	-8.16	-9.12
ICE BofA US High Yield	1.45	6.00	6.00	-8.87	-7.74
Bloomberg Municipal Bond Blend 1-15 Year	0.74	2.23	2.23	-4.72	-5.14
ICE BofA Global Government xUS (USD Unhedged)	1.88	2.22	2.22	-17.05	-21.59
ICE BofA Global Government xUS (USD Hedged)	1.23	2.69	2.69	-5.76	-7.00
JP Morgan EMBI Global Diversified	2.43	2.89	2.89	-18.01	-19.28

Rates (%)	7/29/22	6/30/22	3/31/22	12/31/21	9/30/21
Fed Funds Target	2.50	1.75	0.50	0.25	0.25
Libor, 3-Month	2.78	2.28	0.96	0.20	0.13
T-Bill, 3-Month	2.33	1.64	0.51	0.05	0.03
2-Year Treasury	2.90	2.93	2.28	0.72	0.28
5-Year Treasury	2.69	3.00	2.42	1.26	0.99
10-Year Treasury	2.64	2.97	2.32	1.51	1.52
30-Year Treasury	2.98	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	3.42	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	2.39	2.82	2.36	0.87	0.84
ICE BofA US High Yield	7.66	8.93	6.02	4.31	4.08
Currencies	7/29/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	1.02	1.05	1.11	1.14	1.16
Yen (¥/\$)	133.65	135.86	121.37	115.16	111.57
Pound (\$/£)	1.22	1.21	1.32	1.35	1.35
Commodities	7/29/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	98.62	105.76	100.28	75.21	75.03
Gold	1,782	1,807	1,954	1,829	1,757
Volatility	7/29/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	21.33	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
3.36	4.28	5.24	-6.18	-12.58	-18.33	Large
4.44	4.87	5.34	-6.10	-10.81	-15.40	Mid
4.64	4.64	4.63	-6.77	-10.83	-14.77	Small



Data Source: Truist, FactSet

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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 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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