

# Market Pulse *from the Investment Advisory Group*

August 8, 2022

## In focus

There continues to be many crosscurrents facing investors. Top of mind right now is the Federal Reserve (Fed), the state of the U.S. economy, and corporate earnings.

The Federal Open Market Committee (FOMC) meeting two weeks ago produced another 75 basis point (0.75%) rate hike, while Gross Domestic Product (GDP) illustrated the U.S. economy experienced contraction for the second consecutive quarter. Fed Chair Powell's prepared remarks following the FOMC meeting were interpreted in vastly different ways by market participants. While the notion of a more dovish rate policy emerged from some, several Fed officials took the opportunity last week to reiterate the Fed's aggressive stance on inflation, countering thoughts of a more dovish approach.

On the economic front, despite back-to-back negative quarters of GDP growth, the July jobs report last week was inconsistent with an economy in recession. In July, 578K new jobs were added, more than doubling consensus estimates and showing that the demand for workers remains strong. The unemployment rate also ticked down to 3.5%, reaching its pre-pandemic low.

Corporate earnings have been an important driver for markets as investors, so far, have been rewarding outperformance by the largest amount since 2019. Results from 87% of the S&P 500 companies have been better than feared, with 75% of companies producing earnings which have exceeded market expectations. Furthermore, what stands out about the current earnings season is that the average company's stock price has risen following an earnings miss. This is the first time in five years this has occurred and perhaps signals that markets had priced in too much bad news.

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## A look back

- Global equities finished the week in positive territory, with modest gains from U.S. and emerging markets, while international developed markets declined.
- As investors priced in the chance of a more hawkish Fed, bond yields across the curve increased. The 2/10-year U.S. Treasury yield curve further inverted to 40 basis points (0.4%).
- For the first time since 1995, the Bank of England raised interest rates by 50 basis points (0.5%) and publicly forecasted that the United Kingdom will enter an extended recession by the end of the year.

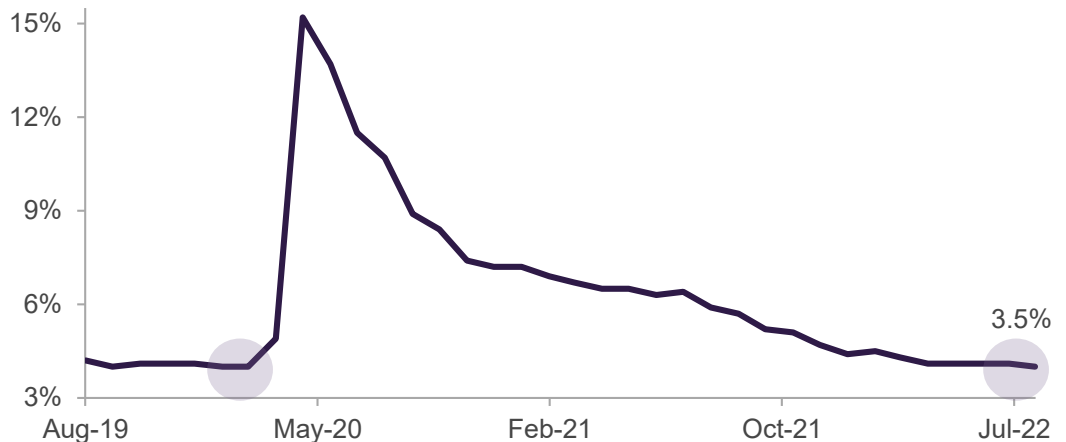
## A look ahead

- Of the 13% of companies in the S&P 500 that have yet to report second quarter results, 23 are on deck this week. So far, markets have rewarded positive earnings surprises by over 2%.
- Investors will be watching the July CPI report this week for signs of cooling inflation and any potential shift in policy from the Fed as a result.
- Economic Releases: Consumer Price Index (CPI), Empire Manufacturing, NFIB Small Business Optimism, Producer Price Index, Univ. of Michigan Sentiment, and Wholesale Inventories.

## Chart of the week – Unemployment returns to pre-pandemic lows

After adding 578,000 new jobs to the U.S. economy in July, the unemployment rate fell to 3.5% for the first time since the start of the pandemic. This gives the Fed a green light to continue raising interest rates as it attempts to re-establish price stability while promoting maximum employment.

### U.S. unemployment rate



Data Source: Truist IAG, FactSet.

Wealth

# Market Pulse

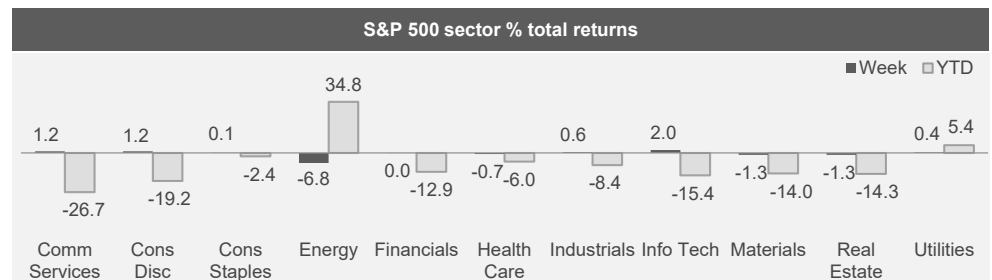
As of August 05, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	0.31	0.31	7.31	-14.34	-11.20
S&P 500	0.39	0.39	9.64	-12.24	-4.99
MSCI EAFE (net)	-0.65	-0.65	4.30	-16.11	-16.19
MSCI Emerging Markets (net)	0.96	0.96	0.71	-17.04	-20.65
Dow Jones Industrials	-0.11	-0.11	6.69	-8.71	-4.59
NASDAQ Composite	2.15	2.15	14.77	-19.10	-14.97
S&P U.S. REIT	-2.03	-2.03	6.72	-15.25	-5.86
Bloomberg Commodity Index	-3.22	-3.22	0.91	19.52	24.29
Bloomberg Aggregate	-1.04	-1.04	1.38	-9.11	-10.04
ICE BofA US High Yield	0.52	0.52	6.57	-8.39	-7.06
Bloomberg Municipal Bond Blend 1-15 Year	-0.08	-0.08	2.15	-4.80	-5.25
ICE BofA Global Government xUS (USD Unhedged)	-0.99	-0.99	1.22	-17.86	-22.54
ICE BofA Global Government xUS (USD Hedged)	-0.17	-0.17	2.52	-5.91	-7.45
JP Morgan EMBI Global Diversified	0.90	0.90	3.82	-17.26	-18.81

Rates (%)	8/05/22	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	2.86	2.28	0.96	0.20	0.13
T-Bill, 3-Month	2.46	1.64	0.51	0.05	0.03
2-Year Treasury	3.23	2.93	2.28	0.72	0.28
5-Year Treasury	2.96	3.00	2.42	1.26	0.99
10-Year Treasury	2.83	2.97	2.32	1.51	1.52
30-Year Treasury	3.06	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	3.64	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	2.45	2.82	2.36	0.87	0.84
ICE BofA US High Yield	7.62	8.93	6.02	4.31	4.08
Currencies	8/05/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	1.02	1.05	1.11	1.14	1.16
Yen (¥/\$)	135.35	135.86	121.37	115.16	111.57
Pound (\$/£)	1.21	1.21	1.32	1.35	1.35
Commodities	8/05/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	89.01	105.76	100.28	75.21	75.03
Gold	1,791	1,807	1,954	1,829	1,757
Volatility	8/05/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	21.15	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-0.46	0.39	1.25	-6.61	-12.24	-17.31	Large
-0.86	-0.31	0.27	-6.90	-11.09	-15.17	Mid
-0.58	-0.02	0.61	-7.31	-10.85	-14.25	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.

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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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