

Market Pulse *from the Investment Advisory Group*

August 15, 2022

In focus

Stock markets got a bid again last week, marking the fourth consecutive weekly gain for the S&P 500 and NASDAQ Composite, a tech-heavy index. After the rally, the S&P 500 is down less than 10% year to date, a sharp retracement from the mid-June lows, which saw the index down more than 20%.

Investors are finding reasons to be optimistic as the second quarter corporate earnings season wraps up with better-than-anticipated results and the Consumer Price Index (CPI) report from last week suggested peak inflation may be in the rear-view.

Indeed, CPI for July printed flat month-over-month, which was lower than consensus estimates, showing no increase in prices from June. Gas prices are down more than 20% from the highs and many commodities prices as well as the housing market are starting to show cooling conditions. Producer prices also showed signs that the peak in inflation could be behind us. These are welcome signs to investors and the Federal Reserve (Fed) as they continue to monitor conditions for future rate policy decisions.

The optimism for a soft landing has worked its way back into conversations after last week. The other side of the coin is the tremendous amount of central bank tightening that is still ongoing is likely to weigh on future economic activity.

This intensifies the debate among bulls and bears as the 2/10-year yield curve is still deeply inverted and the economy just experienced two consecutive quarters of decline in real GDP this year.

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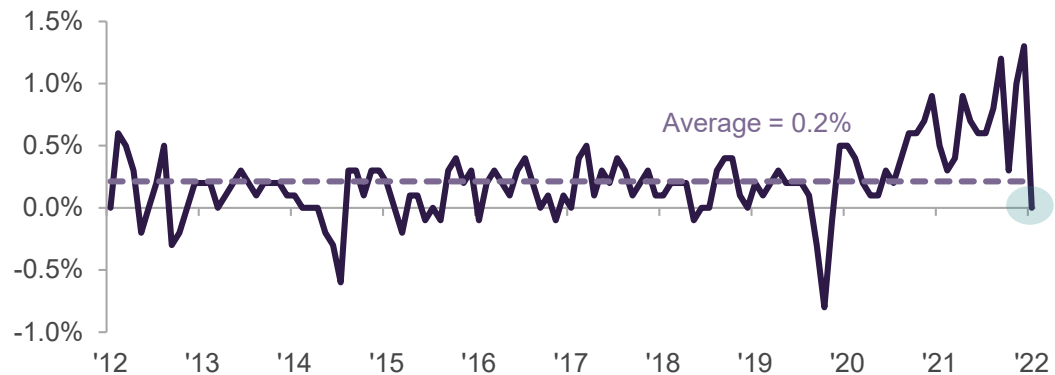


A look back	A look ahead
<ul style="list-style-type: none"> • All major global stock indices moved higher last week. The U.S. led (+3.3%), while international developed (+2.2%) and emerging markets (+1.7%) also fared well. • The 10-year U.S. Treasury yield rose slightly to 2.84% and 2-year yields increased by five basis points to 3.24%. The 2/10-year Treasury yield curve remains deeply inverted by over 40 basis points. • July's CPI report showed a 0% rise month-over-month and an 8.5% increase year-over-year, both were lower than consensus estimates. This has led investors to speculate that peak inflation has already occurred. 	<ul style="list-style-type: none"> • Retail sales will be released on Wednesday. The strength of the U.S. consumer has been a pillar of the anti-recession argument. All will be watching to see if spending continued despite higher prices. • The minutes from the most recent Fed rate setting meeting will also be released Wednesday. The committee mentioned a more data-dependent path forward at the time of the last rate hike. • Economic releases: Retail Sales, Leading Index, Housing Starts, Building Permits, Existing Home Sales, Empire Manufacturing, Industrial Production.

Chart of the week – CPI recovers

The month-over-month CPI change can give a better glimpse into the trajectory of inflation while minimizing base effects of comparing each month to the same month a year prior as the annual change does. Relief was provided recently as month-over-month CPI was 0% in July, indicating no rise in price levels from June.

Month-over-month change in CPI



Data Source: Truist IAG, Haver.

Wealth

Market Pulse

As of August 12, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	2.90	3.21	10.42	-11.86	-8.96
S&P 500	3.31	3.71	13.27	-9.34	-2.60
MSCI EAFE (net)	2.16	1.50	6.56	-14.29	-14.61
MSCI Emerging Markets (net)	1.65	2.63	2.37	-15.67	-18.82
Dow Jones Industrials	2.99	2.87	9.89	-5.98	-3.01
NASDAQ Composite	3.08	5.30	18.30	-16.60	-11.90
Bloomberg Commodity Index	4.59	1.23	5.54	25.00	30.41
Bloomberg Aggregate	0.24	-0.80	1.63	-8.89	-9.19
ICE BofA US High Yield	0.94	1.46	7.57	-7.53	-6.00
Bloomberg Municipal Bond Blend 1-15 Year	-0.03	-0.11	2.12	-4.83	-5.04
ICE BofA Global Government xUS (USD Unhedged)	0.56	-0.44	1.79	-17.40	-21.31
ICE BofA Global Government xUS (USD Hedged)	-0.40	-0.56	2.11	-6.29	-7.57
JP Morgan EMBI Global Diversified	1.51	2.43	5.39	-16.01	-17.09

Rates (%)	8/12/22	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	2.92	2.28	0.96	0.20	0.13
T-Bill, 3-Month	2.52	1.64	0.51	0.05	0.03
2-Year Treasury	3.24	2.93	2.28	0.72	0.28
5-Year Treasury	2.97	3.00	2.42	1.26	0.99
10-Year Treasury	2.84	2.97	2.32	1.51	1.52
30-Year Treasury	3.11	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	3.62	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	2.48	2.82	2.36	0.87	0.84
ICE BofA US High Yield	7.44	8.93	6.02	4.31	4.08
Currencies	8/12/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	1.02	1.05	1.11	1.14	1.16
Yen (¥/\$)	133.71	135.86	121.37	115.16	111.57
Pound (\$/£)	1.21	1.21	1.32	1.35	1.35
Commodities	8/12/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	92.09	105.76	100.28	75.21	75.03
Gold	1,816	1,807	1,954	1,829	1,757
Volatility	8/12/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	19.53	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
3.49	3.31	3.13	-3.35	-9.34	-14.73	Large
4.49	4.46	4.43	-2.72	-7.12	-11.41	Mid
4.54	3.94	3.27	-3.10	-7.33	-11.44	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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