

In focus

Earnings, inflation, and Federal Reserve (Fed) policy are still on the forefront of investors' minds. The continued crosscurrents are likely to result in choppy markets as investors digest incoming data and try to ascertain how it impacts any of the three previously mentioned items.

With earnings season slowly wrapping up, it can be said that earnings were better than feared, with companies continuing to show their resilience in such a dynamic and uncertain environment. Earnings and sales continued to surprise to the upside for the quarter, despite fears that profits would start faltering as the Fed ramps up its policy tightening and inflation eats into consumers' spending power. However, there is still earnings risk as the global economy continues to slow.

On the topic of the Fed and inflation, this week's Jackson Hole symposium will give markets a bird's eye view of how some central bankers are thinking about the inflation conundrum. Fed Chair Jerome Powell will give a speech that will likely include little forward guidance, but market participants will keep a close eye on his every word, nonetheless. After last month's meeting where he stated the Fed would be less transparent and more data dependent, any communication is a chance for the Fed to give insight into how they are interpreting incoming data. This will be especially pertinent for investors given the continued gap between market expectations for Fed policy and the forecasts from Fed officials.

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A look back

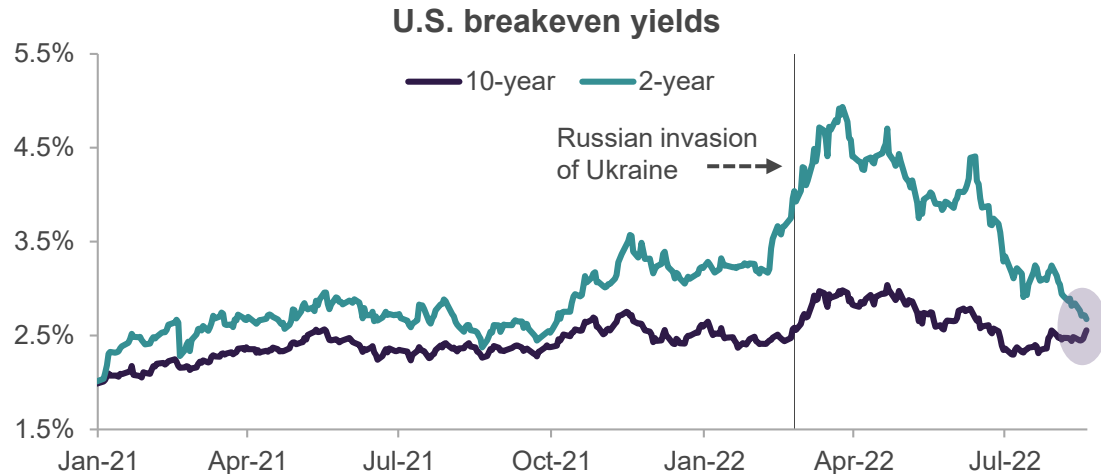
- Global stocks fell last week as equities in the U.S., emerging markets, and international developed markets fell. U.S. stocks outperformed their international peers.
- The 2/10-year U.S. Treasury yield curve steepened, though remained inverted, as 10-year yields rose to 2.98% while 2-year yields remained flat for the week.
- The Fed released minutes of last month's meeting showing they agreed in "acting with resolve" to fight inflation. Markets read their unison and recent comments as hawkish.

A look ahead

- After the poor housing starts and existing home sales numbers last week, this week will show new and pending home sales to get an idea of the extent of the slowdown in the U.S. housing market.
- The Kansas City Fed hosts its annual symposium in Jackson Hole, Wyoming where many central bankers will give speeches and markets will watch for any clues about forward guidance.
- Economic releases: S&P Global U.S. Manufacturing & Services, New & Pending Home Sales, Durable Goods Orders, PCE Price Index.

Chart of the week – Breakeven yields converge

Breakeven yields — the difference between nominal U.S. Treasury yields and TIPS yields — reflect the market's implied inflation expectations over different time horizons. Once the Fed started raising rates in March, breakeven yields started falling, especially 2-year inflation expectations that are now almost down to where 10-year levels are.



Data Source: Truist IAG, Bloomberg.

Market Pulse

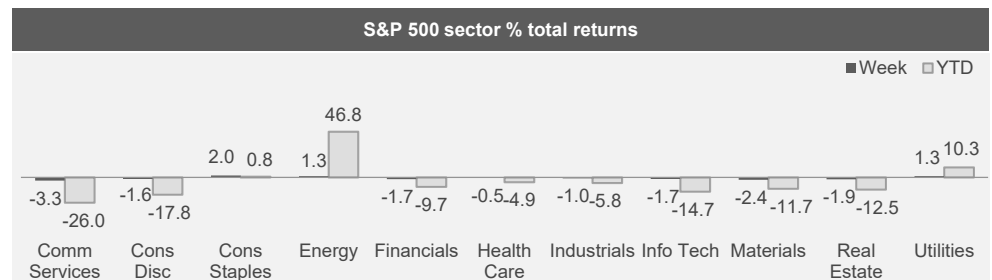
As of August 19, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-1.60	1.57	8.66	-13.27	-8.60
S&P 500	-1.16	2.50	11.95	-10.39	-2.57
MSCI EAFE (net)	-2.19	-0.72	4.23	-16.17	-14.61
MSCI Emerging Markets (net)	-1.48	1.11	0.86	-16.91	-16.30
Dow Jones Industrials	-0.05	2.83	9.84	-6.02	-1.45
Bloomberg Aggregate	-0.89	-1.68	0.73	-9.70	-10.49
ICE BofA US High Yield	-1.20	0.24	6.28	-8.64	-7.03
Bloomberg Municipal Bond Blend 1-15 Year	-1.06	-1.17	1.04	-5.84	-6.08
ICE BofA Global Government xUS (USD Unhedged)	-3.33	-3.75	-1.60	-20.15	-23.87
ICE BofA Global Government xUS (USD Hedged)	-0.98	-1.54	1.11	-7.21	-8.63
JP Morgan EMBI Global Diversified	-1.69	0.70	3.61	-17.43	-18.75

Rates (%)	8/19/22	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	2.95	2.28	0.96	0.20	0.13
T-Bill, 3-Month	2.61	1.64	0.51	0.05	0.03
2-Year Treasury	3.24	2.93	2.28	0.72	0.28
5-Year Treasury	3.10	3.00	2.42	1.26	0.99
10-Year Treasury	2.98	2.97	2.32	1.51	1.52
30-Year Treasury	3.22	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	3.74	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	2.79	2.82	2.36	0.87	0.84
ICE BofA US High Yield	7.74	8.93	6.02	4.31	4.08
Currencies	8/19/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	1.00	1.05	1.11	1.14	1.16
Yen (¥/\$)	137.12	135.86	121.37	115.16	111.57
Pound (\$/£)	1.18	1.21	1.32	1.35	1.35
Commodities	8/19/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	90.44	105.76	100.28	75.21	75.03
Gold	1,763	1,807	1,954	1,829	1,757
Volatility	8/19/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	20.60	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-0.42	-1.16	-1.91	-3.75	-10.39	-16.36	Large
-0.88	-1.38	-1.91	-3.58	-8.40	-13.10	Mid
-1.42	-1.49	-1.57	-4.47	-8.71	-12.83	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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