

In focus

Central banks are still one of the main focus points for markets around the world as the synchronized tightening of monetary policy continues. How quickly and how far they move interest rates up are the questions both equity and fixed income markets keep asking.

The European Central Bank (ECB) is set to raise its policy rate above 0% for the first time since 2012 this week. After years of aggressively accommodative policy, the ECB will need to join other central banks in moving to contain rampant inflation. The ECB will also have to contend with an economic slowdown due in part to energy prices, which are a major concern for global markets, especially as winter approaches and the war in Ukraine continues to drag on.

In the U.S., the Federal Reserve (Fed) continues to convey that they will raise rates well into restrictive territory. The jobs report on Friday was yet another data point that gives them some leeway to continue to tighten monetary conditions. The “goldilocks” report showed that the U.S. economy is still adding plenty of jobs and pulling people back into the labor force. At the same time though, the unemployment rate increased, which is what some Fed officials believe needs to happen in order to curb inflation.

The bond market is still pricing in an economic slowdown, due to the Fed’s pace of tightening, as the 2/10-year U.S. Treasury yield curve remains inverted. However, the 10-year rose last week and re-steepened the curve, with fears of an eminent recession fading slightly. Stocks have continued to be choppy and have fallen as interest rates have risen. Higher rates have been weighing on valuations, with most of stocks’ declines this year coming from valuation contraction.

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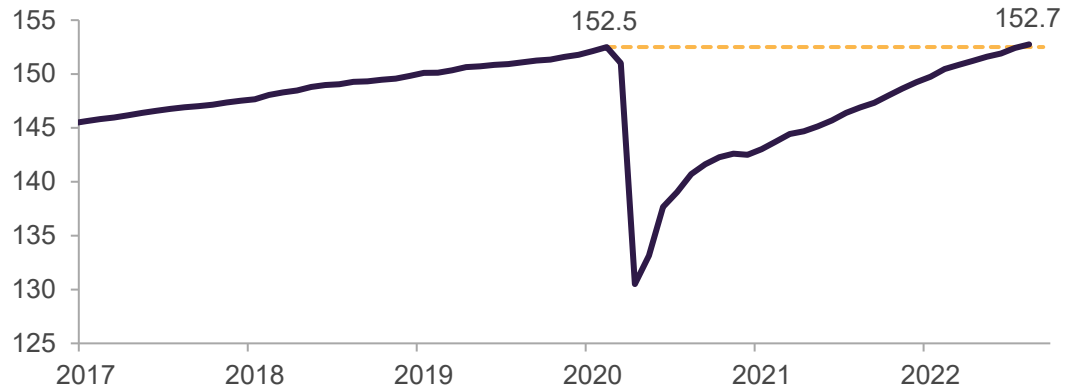


A look back	A look ahead
<ul style="list-style-type: none"> • Global stock markets were down again last week. Emerging markets underperformed and were down about 3.4%, while the S&P 500 dropped about 3.2% and international developed markets fell closer to 3%. • The 10-year U.S. Treasury yield jumped 16 basis points (0.16%) while the 2-year was flat, steepening the 2/10-year yield curve while staying inverted. • After months of uncertainty, the U.K. selected a new Prime Minister on Monday. Liz Truss will succeed Boris Johnson and will face a steep challenge for her country as it battles surging energy prices ahead of winter. 	<ul style="list-style-type: none"> • The ECB and Bank of Canada meet this week to set their policy rates. The ECB is expected to raise rates above 0% for the first time in 10 years as it faces extreme inflation pressures across the union. • The Fed will release its beige book on Wednesday, which gives insight into how each region may be faring economically. • Economic releases: S&P Global U.S. & ISM Services Indices, S&P Global U.S. Composite Index, MBS Mortgage Applications, Trade Balance, Fed Beige Book, and Wholesale Inventories.

Chart of the week – Jobs surpass pre-pandemic high

The August jobs report showed that after more than two years, the number of U.S. employees finally surpassed the pre-pandemic high. It was another solid month of job gains, although the unemployment rate moved up to 3.7% from 3.5%. This strong report likely gives the Fed flexibility to consider both a 0.50% or 0.75% rate hike at the September meeting.

Total U.S. employees on nonfarm payrolls (millions)



Data Source: Truist IAG, Bloomberg.

Market Pulse

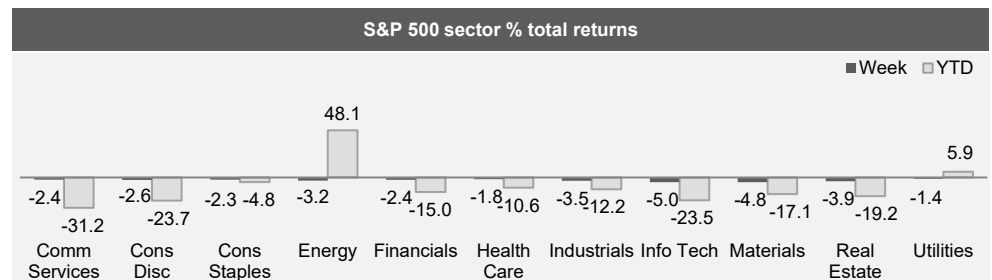
As of September 02, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-3.27	-0.96	2.05	-18.54	-17.15
S&P 500	-3.23	-0.75	3.98	-16.78	-12.15
MSCI EAFE (net)	-3.01	-0.83	-0.83	-20.24	-21.41
MSCI Emerging Markets (net)	-3.41	-2.21	-2.05	-19.31	-23.65
Dow Jones Industrials	-2.85	-0.60	2.22	-12.54	-9.82
Bloomberg Aggregate	-1.02	-0.21	-0.66	-10.94	-11.75
ICE BofA US High Yield	-1.82	-0.18	3.30	-11.20	-10.70
Bloomberg Municipal Bond Blend 1-15 Year	-0.55	-0.31	0.15	-6.66	-6.83
ICE BofA Global Government xUS (USD Unhedged)	-1.98	-0.84	-4.61	-22.60	-26.44
ICE BofA Global Government xUS (USD Hedged)	-0.90	-0.24	-0.70	-8.87	-9.80
JP Morgan EMBI Global Diversified	-2.04	-0.54	1.37	-19.22	-21.33

Rates (%)	9/02/22	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	3.15	2.28	0.96	0.20	0.13
T-Bill, 3-Month	2.83	1.64	0.51	0.05	0.03
2-Year Treasury	3.39	2.93	2.28	0.72	0.28
5-Year Treasury	3.29	3.00	2.42	1.26	0.99
10-Year Treasury	3.19	2.97	2.32	1.51	1.52
30-Year Treasury	3.34	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	3.97	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	3.00	2.82	2.36	0.87	0.84
ICE BofA US High Yield	8.49	8.93	6.02	4.31	4.08
Currencies	9/02/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	1.00	1.05	1.11	1.14	1.16
Yen (¥/\$)	140.04	135.86	121.37	115.16	111.57
Pound (\$/£)	1.16	1.21	1.32	1.35	1.35
Commodities	9/02/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	86.87	105.76	100.28	75.21	75.03
Gold	1,723	1,807	1,954	1,829	1,757
Volatility	9/02/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	25.47	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)									
Week			YTD						
Value	Core	Growth	Value	Core	Growth				
-2.63	-3.23	-3.85	-9.27	-16.78	-23.50	Large			
-3.83	-4.23	-4.66	-10.00	-14.91	-19.70	Mid			
-5.08	-5.16	-5.25	-12.14	-16.32	-20.41	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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