

In focus

The Federal Reserve (Fed) met last week and showed their continued commitment to combatting inflation with another 0.75% rate hike. This outsized hike was anticipated by most. Their summary of economic projections surprised markets with how many rate hikes they still think are needed and how long they may hold at a high level.

The 2-year U.S. Treasury yield, which is sensitive to monetary policy, rose above 4.2% in anticipation of this more aggressive Fed. The 2- / 10-year yield curve remains inverted and close to the lowest level since 2000. The depth of inversion doesn't necessarily indicate the level of economic pain ahead, but more reflects the conviction of the bond market that economic slowing is still to come. Stocks also felt this pain with the S&P 500 down about 4.6% last week and down over 14% from the mid-August high.

On the international front, British markets were hit hard on Friday and again on early Monday as U.K. Prime Minister Liz Truss released her new plan to help consumers. Markets interpreted it as more inflationary and adding to the country's overall debt burden, sending stocks, bonds, and the pound into a tailspin. U.K. bond yields' sharp rise added to the upward pressure for yields in the U.S. The higher yields have affected stock markets as the relative attractiveness of stocks dwindles relative to bonds and the higher yields weigh on stocks' valuations. Not only do equities have to contend with a potential global slowdown, but also now with competitive bond yields, which have become productive for investors' portfolios again.

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A look back

- Global stocks declined by more than 4% again last week, dragged down by Europe. The S&P 500 fell 4.6% while international developed markets were down 5.6% and emerging markets dropped by 4%.
- Yields around the world rose last week, including in the U.S. The 2-year U.S. Treasury yield rose by more than 0.30% to trade above 4.2%. The 10-year yield jumped by 0.25%, further inverting the yield curve.
- Italy is poised to have its first female Prime Minister after a coalition led by Giorgia Meloni won the election. A government still needs to be formed.

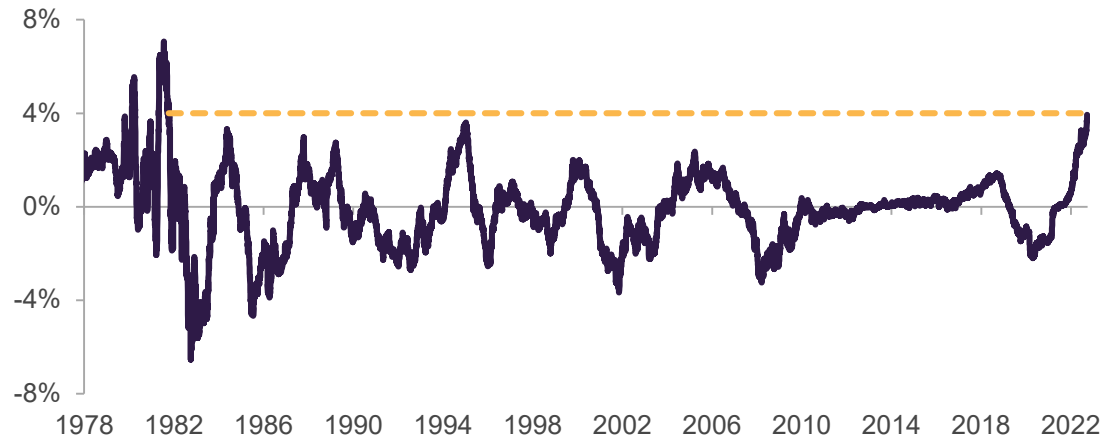
A look ahead

- A week after the Fed met, regional Fed Presidents and Governors are out speaking to the public. There will be 24 total public speeches this week alone to try to give more context to what the Fed is thinking, and investors will be paying very close attention.
- Economic releases: Durable Goods Orders, Conference Board Consumer Confidence, New & Pending Home Sales, Personal Income & Spending, Core Personal Consumption Expenditures, Revised Q2 GDP.

Chart of the week – Largest one-year rise in 2-year yields since 1981

After another outsized rate hike from the Fed last week and a surprise in how high their projections were for future policy rates, U.S. Treasury yields jumped. The 2-year yield specifically has risen by about 4% in just one year with the Fed in full inflation fighting mode.

One-year change in the 2-year U.S. Treasury yield



Data Source: Truist IAG, Bloomberg

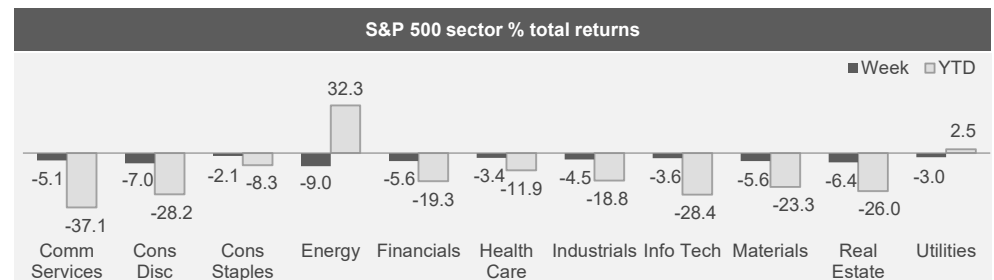
Market Pulse

As of September 23, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-4.96	-7.28	-4.45	-23.74	-20.97
S&P 500	-4.63	-6.51	-2.06	-21.61	-15.65
MSCI EAFE (net)	-5.60	-8.11	-8.12	-26.10	-26.20
MSCI Emerging Markets (net)	-4.03	-8.75	-8.59	-24.70	-26.70
Dow Jones Industrials	-4.00	-6.01	-3.34	-17.30	-13.11
Bloomberg Aggregate	-1.56	-3.36	-3.80	-13.75	-14.19
ICE BofA US High Yield	-1.67	-2.72	0.67	-13.46	-13.17
Bloomberg Municipal Bond Blend 1-15 Year	-1.27	-2.32	-1.87	-8.54	-8.61
ICE BofA Global Government xUS (USD Unhedged)	-3.34	-6.09	-9.66	-26.69	-29.44
ICE BofA Global Government xUS (USD Hedged)	-1.14	-2.23	-2.69	-10.69	-11.06
JP Morgan EMBI Global Diversified	-1.98	-3.36	-1.51	-21.51	-22.91

Rates (%)	9/23/22	6/30/22	3/31/22	12/31/21	9/30/21
Fed Funds Target	3.25	1.75	0.50	0.25	0.25
Libor, 3-Month	3.62	2.28	0.96	0.20	0.13
T-Bill, 3-Month	3.13	1.64	0.51	0.05	0.03
2-Year Treasury	4.20	2.93	2.28	0.72	0.28
5-Year Treasury	3.98	3.00	2.42	1.26	0.99
10-Year Treasury	3.69	2.97	2.32	1.51	1.52
30-Year Treasury	3.61	3.12	2.45	1.90	2.09
Bloomberg Aggregate (YTW)	4.62	3.72	2.92	1.75	1.56
Bloomberg Municipal Bond Blend 1-15 Year	3.55	2.82	2.36	0.87	0.84
ICE BofA US High Yield	9.18	8.93	6.02	4.31	4.08
Currencies	9/23/22	6/30/22	3/31/22	12/31/21	9/30/21
Euro (\$/€)	0.97	1.05	1.11	1.14	1.16
Yen (¥/\$)	143.29	135.86	121.37	115.16	111.57
Pound (\$/£)	1.09	1.21	1.32	1.35	1.35
Commodities	9/23/22	6/30/22	3/31/22	12/31/21	9/30/21
Crude Oil (WTI)	78.74	105.76	100.28	75.21	75.03
Gold	1,656	1,807	1,954	1,829	1,757
Volatility	9/23/22	6/30/22	3/31/22	12/31/21	9/30/21
CBOE VIX	29.92	28.71	20.56	17.22	23.14

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-4.79	-4.63	-4.47	-14.23	-21.61	-28.22	Large
-5.64	-5.92	-6.22	-15.32	-20.30	-25.15	Mid
-5.67	-5.57	-5.46	-18.35	-22.07	-25.69	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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