

In focus

With several other central banks trying to soften the blow of tightening financial conditions in recent weeks, the Federal Reserve (Fed) did not want to give that potentially “dovish” perception last week. They raised the Fed funds rate by 0.75% for the fourth-straight time last week. Chair Powell reiterated their hawkish stance and said that even if the pace of rate increases slows down, the expected peak in the Fed funds rate has likely risen given the strength in the labor market and persistence of inflation.

Volatility remained in the U.S. Treasury market last week as traders’ hopes for a dovish Fed pivot were washed away after Chair Powell’s press conference. The yield curve further inverted with the 2-year/10-year yield curve reaching its lowest level since 1982. With the projection for the Fed’s terminal rate now lifted above 5%, the 2-year yield rose to its highest level since 2007, now at 4.67%.

Over 80% of the S&P 500 has reported Q3 earnings, with many still surprising to the upside, but not getting rewarded for it as they may have in the past. The stock market will likely turn towards the holiday season next and how much the U.S. consumer will spend now that consumer prices have risen by over 8% from last year. The October Consumer Price Index (CPI) is released this week and will again highlight which areas continue to have price pressures.

A look back

- Global stocks were mixed with the S&P 500 down by more than 3% last week while emerging markets were up by more than 4%.
- U.S. Treasury yields rose again last week with the 2-year yield rising more than the 10-year yield, inverting the curve even more.
- The Fed and the Bank of England (BOE) raised their benchmark rates by 0.75%, while the BOE now projects a recession next year.

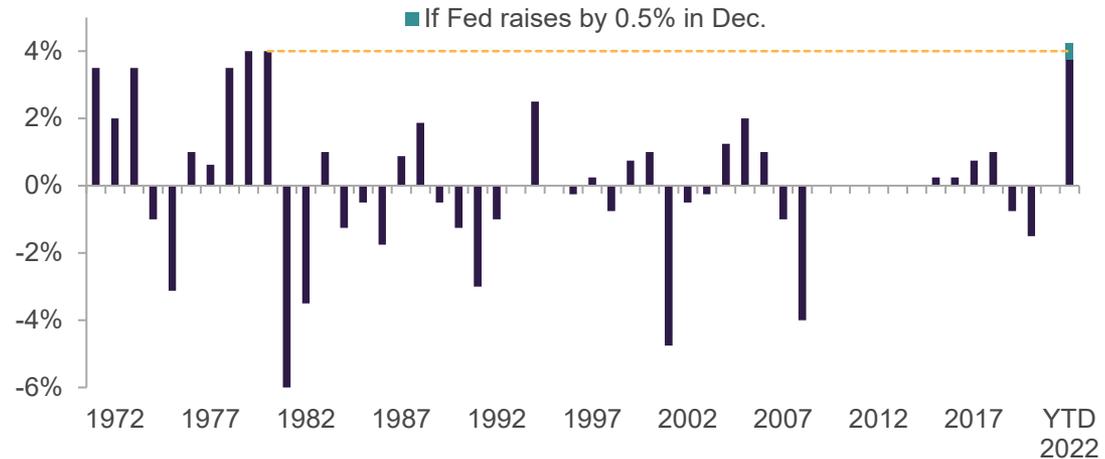
A look ahead

- The CPI report will be released this week, with expectations that monthly figures may slow but stay higher than the Fed wants.
- Eight Fed officials will give speeches this week as they try to frame their stance given the potentially higher terminal rate outlook.
- Economic releases: Wholesale Inventories, MBA Mortgage Applications, CPI, Univ. of Michigan Sentiment.

Chart of the week – The Fed is on pace for record calendar-year tightening

If the Fed raises the Fed funds rate by 0.50% in December (0.75% is not completely off the table either), 2022 will have the fastest pace of rate increases on record for one calendar year.

Calendar-year change in the Fed funds rate



Data Source: Truist IAG, Bloomberg



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Wealth

Market Pulse

As of November 04, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-1.39	-0.97	5.01	-21.90	-21.78
S&P 500	-3.31	-2.59	5.30	-19.83	-18.09
MSCI EAFE (net)	1.24	1.17	6.61	-22.27	-23.24
MSCI Emerging Markets (net)	4.68	4.36	1.12	-26.34	-28.15
Dow Jones Industrials	-1.38	-1.00	12.93	-9.33	-8.43
Bloomberg Aggregate	-0.78	-0.37	-1.66	-16.02	-16.12
ICE BofA US High Yield	-1.37	-0.97	1.85	-13.04	-12.46
Bloomberg Municipal Bond Blend 1-15 Year	0.28	0.23	-0.15	-9.35	-8.86
ICE BofA Global Government xUS (USD Unhedged)	-1.39	-0.41	-0.43	-27.33	-28.38
ICE BofA Global Government xUS (USD Hedged)	-0.98	-0.66	-0.07	-11.19	-11.35
JP Morgan EMBI Global Diversified	0.04	0.47	0.62	-23.48	-23.83

Rates (%)	11/04/22	9/30/22	6/30/22	3/31/22	12/31/21
Fed Funds Target	4.00	3.25	1.75	0.50	0.25
Libor, 3-Month	4.55	3.75	2.28	0.96	0.20
T-Bill, 3-Month	4.12	3.23	1.64	0.51	0.05
2-Year Treasury	4.67	4.20	2.93	2.28	0.72
5-Year Treasury	4.32	4.03	3.00	2.42	1.26
10-Year Treasury	4.15	3.79	2.97	2.32	1.51
30-Year Treasury	4.24	3.76	3.12	2.45	1.90
Bloomberg Aggregate (YTW)	5.10	4.75	3.72	2.92	1.75
Bloomberg Municipal Bond Blend 1-15 Year	3.85	3.73	2.82	2.36	0.87
ICE BofA US High Yield	9.26	9.58	8.93	6.02	4.31
Currencies	11/04/22	9/30/22	6/30/22	3/31/22	12/31/21
Euro (\$/€)	0.99	0.98	1.05	1.11	1.14
Yen (¥/\$)	147.25	144.75	135.86	121.37	115.16
Pound (\$/£)	1.13	1.12	1.21	1.32	1.35
Commodities	11/04/22	9/30/22	6/30/22	3/31/22	12/31/21
Crude Oil (WTI)	92.61	79.49	105.76	100.28	75.21
Gold	1,677	1,672	1,807	1,954	1,829
Volatility	11/04/22	9/30/22	6/30/22	3/31/22	12/31/21
CBOE VIX	24.55	31.62	28.71	20.56	17.22

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.13	-3.31	-5.75	-7.60	-19.83	-30.72	Large
-0.49	-1.17	-1.90	-8.31	-14.22	-19.96	Mid
-1.42	-2.11	-2.92	-9.78	-15.39	-20.97	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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