

**In focus**

The holiday-shortened week last week saw decreased volume in most markets, but that did not cause price action to stop. The correlation between stocks and bonds remained positive with equities rallying and bond yields dropping (prices rising). The stock market rally may be somewhat technical but is likely also driven by the market trying to sniff out whether the Federal Reserve (Fed) will pivot in the future. Although the November Fed meeting minutes last week gave more clarity on the Fed slowing the pace of rate hikes, we don't think that means they are close to stopping their rate increases near term.

The bond market's read on the Fed and how their monetary policy will affect the economy continues to remain downbeat. Both the 2/10-year and the 3-month/10-year U.S. Treasury curves are deeply inverted now, both lower than -50 basis points (-0.50%). The volatility seen in the bond market also remains elevated with wider swings in both directions. This is likely because of the Fed's quantitative tightening program which is reducing the amount of bonds they have on their balance sheet.

Several key economic indicators will be released this week before the Fed's December 14 meeting. Their preferred inflation measure, Personal Consumption Expenditures (PCE), will show if core inflation really has peaked. The November jobs report will also signal the potential ramifications of the policy tightening that the Fed has done so far.

**A look back**

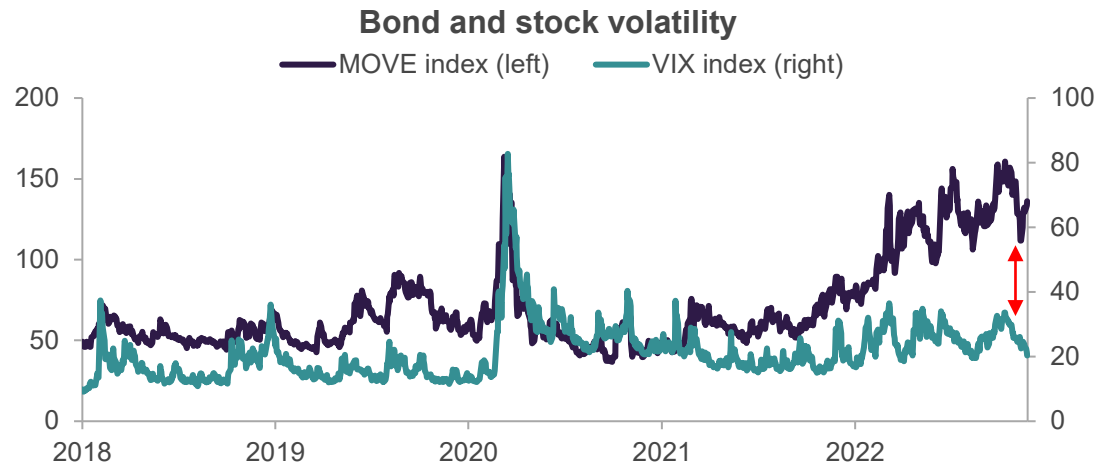
- Global stocks were mixed with U.S. and international developed market equities up about 2% last week, while emerging markets were down by a small margin.
- U.S. Treasury yields dropped last week, further inverting both the 2-/10-year and the 3-month/10-year curves beyond 50 basis points.
- Fed meeting minutes from November gave more clues that they might slow their pace of hiking at the December 14 meeting.

**A look ahead**

- The PCE report will be released this week, with expectations that monthly figures may slow, but stay higher than the Fed wants.
- 11 Fed officials will give speeches this week as they try to frame their outlook.
- Economic releases: Conference Board Consumer Confidence, FHFA Home Price Index, Pending Home Sales, PCE, ISM Manufacturing, Nonfarm Payrolls, and the Unemployment Rate.

**Chart of the week – Bond and stock volatility diverging**

The ICE BofA MOVE index and the VIX index measure bond and equity volatility, respectively. The MOVE index has been elevated over the past 6-months because the Fed is reducing their balance sheet, which has moved bond volatility higher relative to stock volatility.



Data Source: Truist IAG, Bloomberg



# Market Pulse

As of November 25, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	1.51	6.75	13.19	-15.81	-15.15
S&P 500	1.56	4.15	12.59	-14.29	-12.94
MSCI EAFE (net)	2.15	12.34	18.38	-13.69	-12.44
MSCI Emerging Markets (net)	-0.09	11.12	7.67	-21.57	-22.70
Dow Jones Industrials	1.80	5.16	19.95	-3.70	-2.07
Bloomberg Aggregate	1.05	3.48	2.14	-12.78	-12.14
ICE BofA US High Yield	0.93	1.78	4.68	-10.62	-9.21
Bloomberg Municipal Bond Blend 1-15 Year	0.38	2.97	2.58	-6.87	-6.49
ICE BofA Global Government xUS (USD Unhedged)	0.71	7.12	7.09	-21.84	-21.26
ICE BofA Global Government xUS (USD Hedged)	0.25	1.57	2.17	-9.20	-9.32
JP Morgan EMBI Global Diversified	1.56	6.74	6.91	-18.70	-17.82

Rates (%)	11/25/22	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	4.73	3.75	2.28	0.96	0.20
T-Bill, 3-Month	4.28	3.23	1.64	0.51	0.05
2-Year Treasury	4.47	4.20	2.93	2.28	0.72
5-Year Treasury	3.86	4.03	3.00	2.42	1.26
10-Year Treasury	3.68	3.79	2.97	2.32	1.51
30-Year Treasury	3.73	3.76	3.12	2.45	1.90
Bloomberg Aggregate (YTW)	4.61	4.75	3.72	2.92	1.75
Bloomberg Municipal Bond Blend 1-15 Year	3.30	3.73	2.82	2.36	0.87
ICE BofA US High Yield	8.67	9.58	8.93	6.02	4.31
Currencies	11/25/22	9/30/22	6/30/22	3/31/22	12/31/21
Euro (\$/€)	1.04	0.98	1.05	1.11	1.14
Yen (¥/\$)	139.25	144.75	135.86	121.37	115.16
Pound (\$/£)	1.21	1.12	1.21	1.32	1.35
Commodities	11/25/22	9/30/22	6/30/22	3/31/22	12/31/21
Crude Oil (WTI)	76.28	79.49	105.76	100.28	75.21
Gold	1,754	1,672	1,807	1,954	1,829
Volatility	11/25/22	9/30/22	6/30/22	3/31/22	12/31/21
CBOE VIX	20.50	31.62	28.71	20.56	17.22

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
2.00	1.56	1.04	-2.18	-14.29	-25.08	Large
2.25	1.96	1.65	-2.56	-8.65	-14.57	Mid
1.19	1.20	1.21	-5.55	-10.88	-16.16	Small



Data Source: Truist, FactSet

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Commonly used acronyms— SAAR = seasonally adjusted annual rate— MoM = month-over-month change— QoQ = quarter-over-quarter change— YoY = Year-over-year change— K = thousands— M = millions. Investing in the bond market is subject to certain risks, including market, interest rate, issuer and inflation risk— investments may be worth more or less than the original cost when redeemed. The value of most bond strategies and fixed income securities are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and more volatile than securities with shorter durations— bond prices generally fall as interest rates rise, and values rise when interest rates decline.

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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