

**In focus**

Markets skewed to the upside last week as Personal Consumption Expenditures (PCE) for the month of October provided additional support to the peak-inflation narrative. The positive week helped the S&P 500 break above its 200-day moving average for the first time since the start of the second quarter. Yields mostly declined, yet the inversion of the 3-month/10-year yield curve grew, which has historically signaled investors' growing conviction of an upcoming recession.

During an interview at the Brookings Institution, Federal Reserve (Fed) Chair Powell provided remarks that were less hawkish than previous interviews, signaling that a step down to a 0.50% rate hike could occur as soon as the December meeting. The Fed Chair remained firm that inflation is unacceptably high and that the potential for higher rates over a longer period is still something that threatens a soft landing.

Other economic news last week was mixed but not enough to tip the scale from the positive inflation data. October's labor report showed some signs of cooling along with surprising resilience shown by both accelerating hourly earnings and an increase of 263,000 nonfarm payrolls. The unemployment rate held at 3.7%, but the labor force participation rate edged lower along with November's ISM manufacturing, which fell to a contractionary level.

**A look back**

- Global equity markets moved higher last week with broad strength across all regions. International developed markets equities have climbed for seven consecutive weeks.
- Yields dropped for the 2- and 10-year U.S. Treasuries, leaving the 2-/10-year curve mostly unchanged. 3-month yields rose, further inverting the 3-month/10-year curve.
- Last week, the labor data for October was published with mixed results. There were subtle signs of labor market cooling, despite surprising resilience overall.

**A look ahead**

- The calendar is packed this week with shareholder events and brokerage conferences. Investors will be watching for any updates to 2023 guidance.
- The President of the European Central Bank will take the stage twice this week before the mandated seven-day quiet period ahead of the final meeting of 2022.
- Economic releases: Durable Goods, Factory Orders, ISM & S&P Global U.S. Services, Producer Price Index, and University of Michigan Sentiment.

**Chart of the week – The unemployment rate is a lagging indicator**

The unemployment rate is a lagging indicator and has generally not dramatically increased ahead of a recession. In fact, it is usually near its cycle low just prior to recession, and the unemployment rate peak has typically come after a recession has ended.

**Peak unemployment rates have lagged recessions**



Data Source: Truist IAG, FactSet. Shaded areas represent recession.



**Wealth**

# Market Pulse

As of December 02, 2022

| Index % Total Return                          | Week | MTD   | QTD   | YTD    | 1 Yr   |
|---|------|-------|-------|--------|--------|
| MSCI ACWI (net)                               | 1.37 | 0.43  | 14.75 | -14.65 | -11.65 |
| S&P 500                                       | 1.19 | -0.18 | 13.93 | -13.26 | -9.56  |
| MSCI EAFE (net)                               | 1.05 | 2.03  | 19.63 | -12.78 | -9.08  |
| MSCI Emerging Markets (net)                   | 3.51 | 0.17  | 11.45 | -18.82 | -18.87 |
| Dow Jones Industrials                         | 0.41 | -0.42 | 20.45 | -3.30  | 1.51   |
| Bloomberg Aggregate                           | 1.54 | 1.34  | 3.71  | -11.44 | -11.58 |
| ICE BofA US High Yield                        | 0.87 | 0.78  | 5.59  | -9.85  | -8.36  |
| Bloomberg Municipal Bond Blend 1-15 Year      | 0.92 | 0.40  | 3.52  | -6.01  | -5.88  |
| ICE BofA Global Government xUS (USD Unhedged) | 1.80 | 2.66  | 9.03  | -20.43 | -21.42 |
| ICE BofA Global Government xUS (USD Hedged)   | 0.35 | 0.41  | 2.53  | -8.88  | -9.78  |
| JP Morgan EMBI Global Diversified             | 2.28 | 1.47  | 9.34  | -16.84 | -16.26 |

| Rates (%)                                | 12/02/22 | 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                           | 4.76     | 3.75    | 2.28    | 0.96    | 0.20     |
| T-Bill, 3-Month                          | 4.32     | 3.23    | 1.64    | 0.51    | 0.05     |
| 2-Year Treasury                          | 4.29     | 4.20    | 2.93    | 2.28    | 0.72     |
| 5-Year Treasury                          | 3.67     | 4.03    | 3.00    | 2.42    | 1.26     |
| 10-Year Treasury                         | 3.51     | 3.79    | 2.97    | 2.32    | 1.51     |
| 30-Year Treasury                         | 3.55     | 3.76    | 3.12    | 2.45    | 1.90     |
| Bloomberg Aggregate (YTW)                | 4.39     | 4.75    | 3.72    | 2.92    | 1.75     |
| Bloomberg Municipal Bond Blend 1-15 Year | 3.11     | 3.73    | 2.82    | 2.36    | 0.87     |
| ICE BofA US High Yield                   | 8.46     | 9.58    | 8.93    | 6.02    | 4.31     |
| Currencies                               | 12/02/22 | 9/30/22 | 6/30/22 | 3/31/22 | 12/31/21 |
| Euro (\$/€)                              | 1.05     | 0.98    | 1.05    | 1.11    | 1.14     |
| Yen (¥/\$)                               | 135.48   | 144.75  | 135.86  | 121.37  | 115.16   |
| Pound (\$/£)                             | 1.22     | 1.12    | 1.21    | 1.32    | 1.35     |
| Commodities                              | 12/02/22 | 9/30/22 | 6/30/22 | 3/31/22 | 12/31/21 |
| Crude Oil (WTI)                          | 79.98    | 79.49   | 105.76  | 100.28  | 75.21    |
| Gold                                     | 1,810    | 1,672   | 1,807   | 1,954   | 1,829    |
| Volatility                               | 12/02/22 | 9/30/22 | 6/30/22 | 3/31/22 | 12/31/21 |
| CBOE VIX                                 | 19.06    | 31.62   | 28.71   | 20.56   | 17.22    |

| U.S. style % total returns (S&P indexes) |      |        |       |        |        |       |
|--|------|--------|-------|--------|--------|-------|
| Week                                     |      |        | YTD   |        |        |       |
| Value                                    | Core | Growth | Value | Core   | Growth |       |
| 0.66                                     | 1.19 | 1.80   | -1.53 | -13.26 | -23.73 | Large |
| 0.26                                     | 0.63 | 1.03   | -2.32 | -8.08  | -13.68 | Mid   |
| 0.79                                     | 1.10 | 1.46   | -4.80 | -9.90  | -14.93 | Small |

Data Source: Truist, FactSet



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Bloomberg Global Aggregate Index is an index of investment grade debt including treasury, government-related, corporate and securitized debt, from 24 local currency benchmarks.

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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.

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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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