

In focus

Central banks around the world will take center stage this week. The Federal Reserve (Fed) will kick things off with their meeting ending Wednesday. The European Central Bank (ECB), Bank of England (BOE), and the Bank of Japan (BOJ) all meet within seven days of each other too. This year's synchronized global monetary tightening has been orchestrated for one reason – inflation.

Inflation data last week surprised to the upside in the U.S., and the Fed will get one more look at consumer price measures this week with the latest Consumer Price Index (CPI) release. Prices likely cooled again, but the annual figures remain far above the Fed's 2% target. Because of this, we are likely to see another rate increase this week, albeit at just 0.5% compared to the 0.75% increase they've done at the last four meetings. A potentially more important point that will come out of the meeting will be where the Fed expects to stop raising rates, with markets expecting around a 5% stopping point.

Global markets are still trying to figure out how to trade during this much more hawkish central bank regime. U.S. equities dropped last week amid fears that the Fed may have to go higher for longer, while U.S. Treasury yields climbed for the same reason. The past month has been better for international stocks, with somewhat better than expected economic data coming out, and expectations that the ECB will not get to as high of an ending policy rate.

A look back

- The S&P 500 underperformed global equities last week, declining by over 3% while the MSCI ACWI was down about 2%.
- U.S. Treasury yields rose last week by about 0.05% - 0.10% across the curve, keeping the curve inversions similar to the prior week.
- The Producer Price Index (PPI) came in hotter than expected for both the month-over-month and the year-over-year figures.

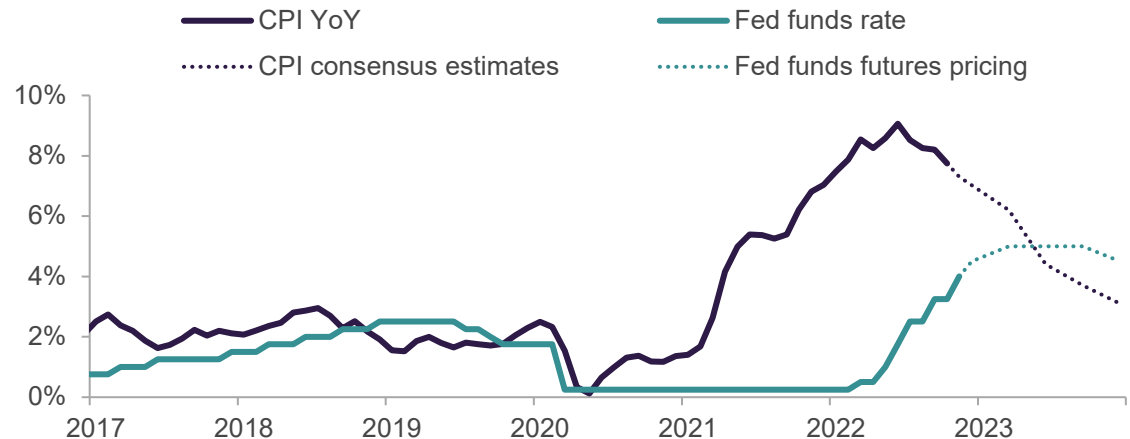
A look ahead

- The CPI report will be released this week, with expectations that monthly figures may slow but stay higher than the Fed wants.
- The Fed meets this week and will continue to raise rates at a faster than normal pace, although likely slower than 0.75%.
- Economic releases: NFIB Small Business Optimism, CPI, FOMC rate decision, Retail Sales, Industrial Production.

Chart of the week – Inflation and the Fed funds rate

This week, CPI numbers are expected to fall slightly, and the Fed is expected to raise its benchmark rate by 0.5%. Markets are expecting these two rates to converge sometime next year.

U.S. inflation vs. Fed funds rate



Data Source: Truist IAG, Bloomberg



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Wealth

Market Pulse

As of December 09, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-2.22	-1.80	12.21	-16.55	-15.18
S&P 500	-3.35	-3.52	10.12	-16.17	-14.28
MSCI EAFE (net)	-0.20	1.83	19.39	-12.96	-11.36
MSCI Emerging Markets (net)	0.48	0.65	11.99	-18.43	-19.24
Dow Jones Industrials	-2.74	-3.15	17.15	-5.95	-4.39
Bloomberg Commodity Index	-2.31	-3.62	0.99	14.70	17.74
Bloomberg Aggregate	-0.44	0.89	3.25	-11.84	-11.68
ICE BofA US High Yield	-0.12	0.66	5.47	-9.95	-9.26
Bloomberg Municipal Bond Blend 1-15 Year	0.35	0.75	3.88	-5.69	-5.57
ICE BofA Global Government xUS (USD Unhedged)	-0.07	2.59	8.95	-20.48	-21.24
ICE BofA Global Government xUS (USD Hedged)	0.03	0.45	2.56	-8.85	-9.81

Rates (%)	12/09/22	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	4.29	3.23	1.64	0.51	0.05
2-Year Treasury	4.34	4.20	2.93	2.28	0.72
5-Year Treasury	3.75	4.03	3.00	2.42	1.26
10-Year Treasury	3.56	3.79	2.97	2.32	1.51
30-Year Treasury	3.54	3.76	3.12	2.45	1.90
Bloomberg Aggregate (YTW)	4.49	4.75	3.72	2.92	1.75
Bloomberg Municipal Bond Blend 1-15 Year	3.05	3.73	2.82	2.36	0.87
ICE BofA US High Yield	8.52	9.58	8.93	6.02	4.31
Currencies	12/09/22	9/30/22	6/30/22	3/31/22	12/31/21
Euro (\$/€)	1.05	0.98	1.05	1.11	1.14
Yen (¥/\$)	136.60	144.75	135.86	121.37	115.16
Pound (\$/£)	1.23	1.12	1.21	1.32	1.35
Commodities	12/09/22	9/30/22	6/30/22	3/31/22	12/31/21
Crude Oil (WTI)	71.02	79.49	105.76	100.28	75.21
Gold	1,811	1,672	1,807	1,954	1,829
Volatility	12/09/22	9/30/22	6/30/22	3/31/22	12/31/21
CBOE VIX	22.83	31.62	28.71	20.56	17.22

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-2.94	-3.35	-3.81	-4.43	-16.17	-26.63	Large
-3.89	-4.02	-4.16	-6.12	-11.78	-17.27	Mid
-4.54	-4.69	-4.88	-9.12	-14.13	-19.08	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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