

In focus

The Market Pulse will return on January 3, 2023.

Markets whipsawed last week, with equities initially rallying on optimism sparked by a softer than expected Consumer Price Index (CPI) print on Tuesday. While both headline and core CPI declined and were below expectations, Federal Reserve (Fed) officials noted that much of the easing was in goods inflation. Officials have stressed the importance of bringing down services inflation, which has proven more difficult to achieve. Investors will get a look at the Fed’s preferred inflation gauge, Personal Consumption Expenditures (PCE), this week as they continue to evaluate the path of inflation.

The initial gains in the market quickly vanished in the back half of the week following the FOMC meeting and their release of the Summary of Economic Projections. While the 50-basis point (0.50%) hike was expected, the median 2023 terminal rate projection shown by the Fed was 5.1%, another increase from the 4.6% expectation shown in September. Chair Powell struck a familiar tone in his post-meeting press conference, reiterating that the Fed will remain steadfast in fighting inflation as its number one priority.

Investors will likely remain uneasy heading into the new year, wrestling with a slowing economy amid monetary tightening.

A look back

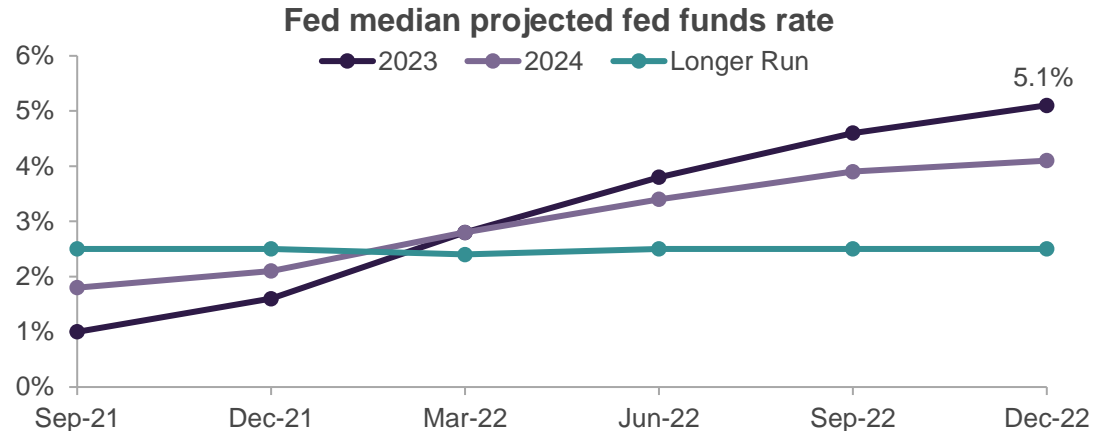
- Global equities tumbled across the board last week, with both international markets and the S&P 500 dropping roughly 2.1%.
- Yields fell across most of the curve, and the 2-/10- year inversion eased. However, 3-month rates rose slightly, increasing the 3-month/10-year inversion to -83 bps.
- The Fed increased their policy rate by the expected 0.50%, but their projections showed a higher terminal rate in 2023 than previously expected.

A look ahead

- While the economic calendar is relatively light, the Fed’s preferred inflation gauge, PCE, will provide investors with another data point on inflation.
- Real estate data will give insight into the housing market. Existing home sales are expected to fall for the tenth consecutive month amid high mortgage rates.
- Economic releases: New & Existing Home Sales, Consumer Confidence, Leading Index, PCE, University of Michigan Sentiment.

Chart of the week – Projected Fed funds rate by quarter

The Fed released its quarterly Summary of Economic Projections on Wednesday. The median projection for the terminal 2023 Fed funds rate has risen substantially in each of the last six reports, which now stands at an expected 5.1%, up from 4.6% in the September release.



Data source: Truist IAG, Bloomberg, Federal Reserve



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Market Pulse

As of December 16, 2022

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	-2.11	-3.87	9.84	-18.31	-16.67
S&P 500	-2.05	-5.50	7.86	-17.88	-16.07
MSCI EAFE (net)	-2.13	-0.34	16.84	-14.81	-13.41
MSCI Emerging Markets (net)	-2.10	-1.46	9.64	-20.14	-19.43
Dow Jones Industrials	-1.65	-4.75	15.22	-7.50	-6.34
Bloomberg Commodity Index	0.96	-2.69	1.96	15.80	18.27
Bloomberg Aggregate	0.80	1.70	4.08	-11.13	-11.15
ICE BofA US High Yield	0.00	0.66	5.46	-9.95	-9.34
Bloomberg Municipal Bond Blend 1-15 Year	0.20	0.95	4.09	-5.50	-5.41
ICE BofA Global Government xUS (USD Unhedged)	-1.19	1.37	7.65	-21.43	-22.21
ICE BofA Global Government xUS (USD Hedged)	-1.24	-0.80	1.29	-9.98	-10.90
JP Morgan EMBI Global Diversified	0.21	1.68	9.56	-16.68	-16.62

Rates (%)	12/16/22	9/30/22	6/30/22	3/31/22	12/31/21
Fed Funds Target	4.50	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	4.19	4.20	2.93	2.28	0.72
5-Year Treasury	3.62	4.03	3.00	2.42	1.26
10-Year Treasury	3.48	3.79	2.97	2.32	1.51
30-Year Treasury	3.53	3.76	3.12	2.45	1.90
Bloomberg Aggregate (YTW)	4.35	4.75	3.72	2.92	1.75
Bloomberg Municipal Bond Blend 1-15 Year	3.04	3.73	2.82	2.36	0.87
ICE BofA US High Yield	8.54	9.58	8.93	6.02	4.31
Currencies	12/16/22	9/30/22	6/30/22	3/31/22	12/31/21
Euro (\$/€)	1.06	0.98	1.05	1.11	1.14
Yen (¥/\$)	136.67	144.75	135.86	121.37	115.16
Pound (\$/£)	1.22	1.12	1.21	1.32	1.35
Commodities	12/16/22	9/30/22	6/30/22	3/31/22	12/31/21
Crude Oil (WTI)	74.29	79.49	105.76	100.28	75.21
Gold	1,800	1,672	1,807	1,954	1,829
Volatility	12/16/22	9/30/22	6/30/22	3/31/22	12/31/21
CBOE VIX	22.62	31.62	28.71	20.56	17.22

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
-1.55	-2.05	-2.62	-5.91	-17.88	-28.55	Large
-1.94	-2.09	-2.25	-7.94	-13.62	-19.13	Mid
-2.60	-2.64	-2.69	-11.49	-16.40	-21.26	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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