

In focus

After a tumultuous 2022, January concluded last week with both stocks and bonds up big. The S&P 500 was up over 6% on the month, while bonds were up over 3% as well, the best January for the U.S. Aggregate benchmark since 1988. The first week of February continued some of those trends, but also saw wild swings given the economic developments.

The Federal Reserve (Fed) decided last week to again slow the pace of hikes, opting to raise their benchmark rate by just 0.25% after the 0.5% raise in December. That brings the cumulative increase in rates to 4.5%, the largest one-year increase in the Fed funds rate since 1981. Markets interpreted the press conference as dovish, however, since Fed Chair Powell didn't push back against the loosening financial conditions as hard as some had expected.

On Friday, the latest U.S. jobs report was released and showed that the labor market is in a much better position than many had expected. The unemployment rate also dropped to the lowest level since 1969 at 3.4%. Bonds took this news the hardest with yields rising and prices falling as traders took some bets on Fed cuts off the table as the U.S. economy proves to be more resilient. On the other hand, stocks hung in better after the report, bucking the good news is bad news trend and finishing the week up over 1.6%.

A look back

- U.S. stocks led last week with the S&P 500 up 1.6% while international developed markets lagged, and emerging markets fell.
- U.S. Treasury yields rose last week, mostly stemming from the blowout jobs report. The 2-/10-year curve inverted further, down to -77 basis points now.
- The Fed raised their benchmark rate again but slowed the pace, opting only for a 0.25% rate hike.

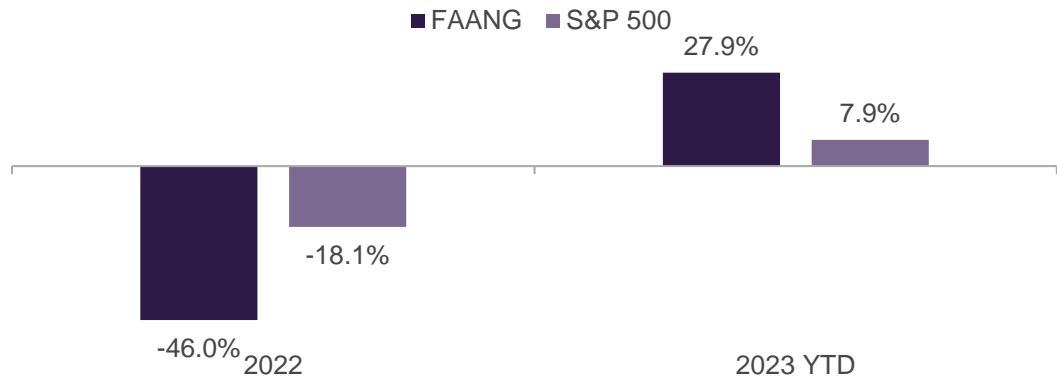
A look ahead

- Earnings season continues with 91 companies reporting this week. Tech remains in focus and discretionary names will begin to take the stage as well.
- The Fed will try to frame its latest step down in rate hikes with nine speakers this week, including Chair Jerome Powell.
- Economic releases: Trade Balance, MBA Mortgage Applications, Wholesale Inventories, U. of Michigan Sentiment.

Chart of the week – Mega-cap tech companies bounce to start 2023

After many years of tech leadership, 2022 witnessed one of the toughest years for mega-cap companies. To start 2023 though, those tech-related stocks reversed course and have led once again through the first five weeks of the year.

Average total return for FAANG stocks versus the S&P 500



Data source: Truist IAG, Bloomberg. Past performance does not guarantee future results. FAANG = META, AAPL, AMZN, NFLX, GOOG total return average



Market Pulse

As of February 03, 2023

Index % Total Return	Week	MTD	QTD	YTD	1 Yr
MSCI ACWI (net)	0.98	1.22	8.48	8.48	-6.69
S&P 500	1.64	1.48	7.86	7.86	-6.05
MSCI EAFE (net)	0.46	0.88	9.05	9.05	-3.66
MSCI Emerging Markets (net)	-1.18	0.70	8.65	8.65	-11.62
Dow Jones Industrials	-0.15	-0.47	2.44	2.44	-1.33
Bloomberg Commodity Index	-3.98	-4.19	-4.66	-4.66	0.37
Bloomberg Aggregate	0.03	-0.05	3.02	3.02	-8.15
ICE BofA US High Yield	1.03	1.10	5.05	5.05	-4.33
Bloomberg Municipal Bond Blend 1-15 Year	0.10	0.07	2.32	2.32	-1.71
ICE BofA Global Government xUS (USD Unhedged)	0.10	0.31	3.28	3.28	-17.66
ICE BofA Global Government xUS (USD Hedged)	0.68	0.87	2.39	2.39	-7.79

Rates (%)	2/03/23	12/30/22	9/30/22	6/30/22	3/31/22
Fed Funds Target	4.75	4.50	3.25	1.75	0.50
Libor, 3-Month	4.80	4.76	3.75	2.28	0.96
T-Bill, 3-Month	4.64	4.41	3.23	1.64	0.51
2-Year Treasury	4.28	4.41	4.20	2.93	2.28
5-Year Treasury	3.66	4.00	4.03	3.00	2.42
10-Year Treasury	3.53	3.87	3.79	2.97	2.32
30-Year Treasury	3.63	3.96	3.76	3.12	2.45
Bloomberg Aggregate (YTW)	4.32	4.68	4.75	3.72	2.92
Bloomberg Municipal Bond Blend 1-15 Year	2.71	3.18	3.73	2.82	2.36
ICE BofA US High Yield	7.91	8.95	9.58	8.93	6.02
Currencies	2/03/23	12/30/22	9/30/22	6/30/22	3/31/22
Euro (\$/€)	1.09	1.07	0.98	1.05	1.11
Yen (¥/\$)	131.04	131.95	144.75	135.86	121.37
Pound (\$/£)	1.21	1.20	1.12	1.21	1.32
Commodities	2/03/23	12/30/22	9/30/22	6/30/22	3/31/22
Crude Oil (WTI)	73.39	80.26	79.49	105.76	100.28
Gold	1,877	1,826	1,672	1,807	1,954
Volatility	2/03/23	12/30/22	9/30/22	6/30/22	3/31/22
CBOE VIX	18.33	21.67	31.62	28.71	20.56

U.S. style % total returns (S&P indexes)						
Week			YTD			
Value	Core	Growth	Value	Core	Growth	
1.80	1.64	1.50	8.43	7.86	7.33	Large
3.96	3.40	2.83	14.19	11.52	8.92	Mid
5.40	5.02	4.65	15.98	13.36	10.95	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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