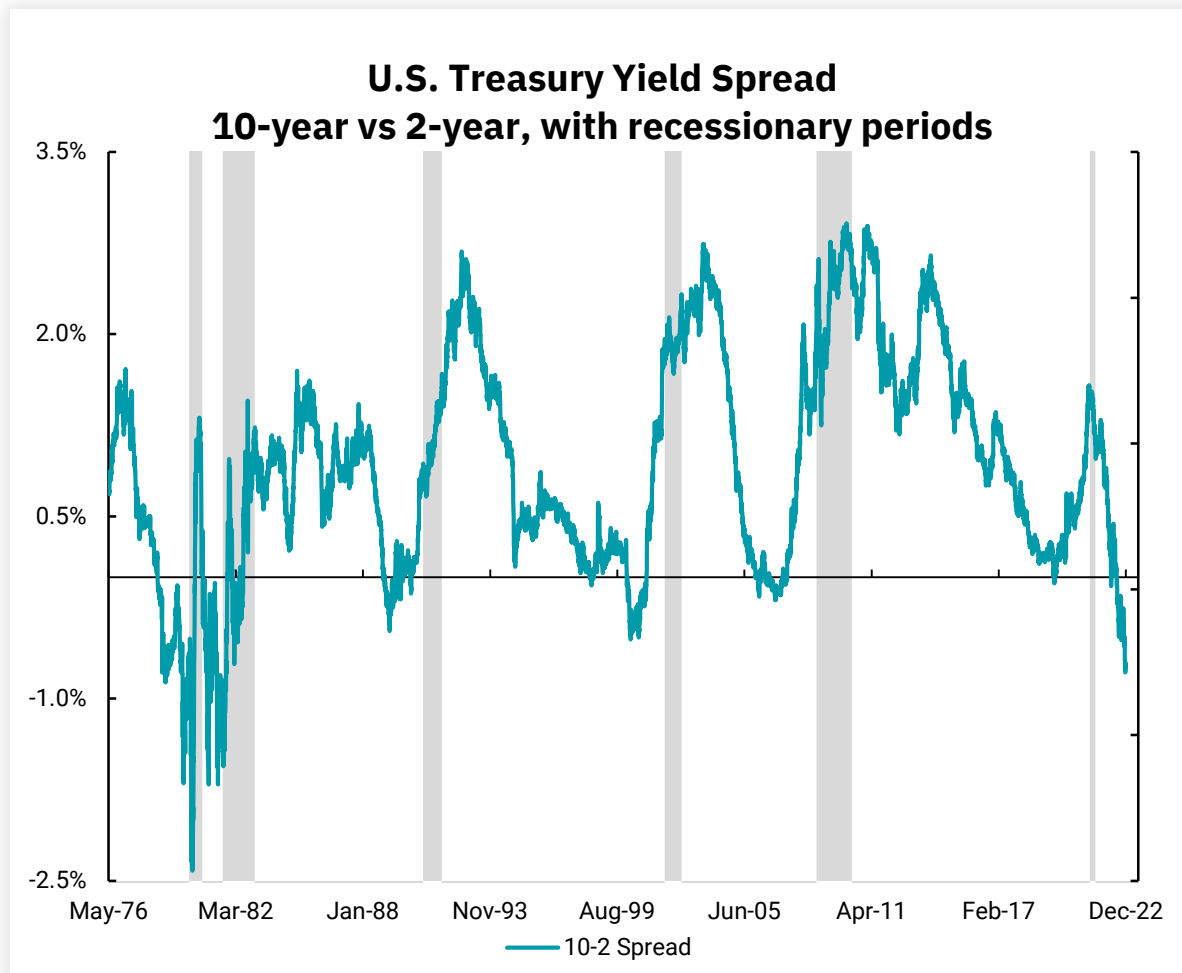


Weekly market update



Chart of the week (Dec. 02, 2022)



The U.S. Treasury yield curve is often cited as a signal of future economic activity. It is intuitive to expect a higher rate of return for longer investment horizons than shorter ones. Hence a normal yield curve is one where yields are lower for shorter maturities than longer maturities, a so-called positive sloping yield curve.

Occasionally, we see a different shape to the yield curve – a flat curve when economic activity and inflation are expected to be stable, or a negative slope such as we have now. This negative slope, with short-term rates higher than long-term, is also called an inverted yield curve and is an unusual occurrence.

When short rates are higher than long-term rates, the message from the treasury market is an expectation of slower growth in the future. Investors are willing to accept a lesser long-term rate to avoid having bonds mature when interest rates are expected to be lower.

This week's chart shows the difference in yield between the two-year treasury note and the ten-year treasury note going back to 1976. The extreme variability of the yield curve in the late 70s and early 80s is part of what the current Federal Reserve wants to avoid. In addition, the shaded areas on the chart represent past periods of recession, and one can see recessions followed those past periods of inversion. Notably, an inverted yield curve does not mean a recession is here, but it has been a strong indicator of weakening economic growth in the future.

Weekly market update



Commentary (Dec. 02, 2022)

Domestic Equities

- U.S. stocks were positive for the week despite mixed messages on inflation and the forward outlook for interest rates.
- Stocks jumped Wednesday afternoon after Fed Chair Powell said in a speech that the central bank was on track to raise the benchmark interest rate by just 0.5% this month, slowing the 0.75% pace set over the last several meetings.
- The better-than-expected jobs report out Friday slowed the equity rally. A strong jobs report should be good news, but the tight labor market is seen as proof that the Fed will have to continue raising rates to slow down the economy.
- With little in the way of earnings reports coming out in the final month of the year, economic data and how it may influence the Fed is driving market direction.

Bonds

- U.S. Treasury yields moved lower for the week following Fed Chair Powell's speech at the Brookings Institute. During his speech, Chair Powell indicated that "the time for moderating the pace of rate hike increases may come as soon as the Dec. meeting". The market interpreted this as the unofficial pivot, with the FOMC likely hiking by only 0.5% in Dec.
- The broad investment grade market, as measured by the Bloomberg U.S. Aggregate Bond Index, was positive for the week, with longer-duration U.S. Treasuries and corporate bonds posting the strongest returns.
- While corporate bonds were positive for the week, investment grade and high-yield credit spreads were essentially flat.
- In international markets, emerging market debt outperformed due to a weaker U.S. dollar and signs that China is beginning to soften its zero-COVID policy stance.

International Equities

- China continues to struggle with COVID-19 outbreaks and the country's response to the virus. Factory and services activity contracted due to a record number of cases that led to broad restrictions in some of China's major cities.
- Despite the lockdowns in China, emerging markets had a strong week, finishing up more than 4%. This rally comes as investors look to see which central banks will be first to exit their tightening cycle. Emerging market central banks generally began hiking interest rates before most developed countries.
- Developed international markets also finished positive for the week, up about 1%. This came after Eurozone inflation dropped more than expected in Nov., fueling hopes that the European Central Bank will begin slowing its interest rate hikes.

Economics

- The Bureau of Labor Statistics (BLS) employment report for Nov. indicated non-farm payrolls increased by 263k, and the unemployment rate (U-3) was unchanged at 3.7%. The leisure and hospitality, and healthcare sectors showed large gains, while retail trade showed notable job losses.
- The Bureau of Economic Analysis (BEA) reported personal income rose 0.7% in Oct. as a seasonally adjusted annual rate (SAAR), and the personal savings rate declined slightly to 2.3%. Personal consumption expenditures (PCE) increased 0.8% as both goods and services spending rose in the month. The PCE price index was unchanged at 0.3% month over month and declined to 6.0% (-0.2%) over the prior 12 months.
- The BLS also reported that the Job Openings and Labor Turnover Survey (JOLTS) indicated job openings declined 400k to 10.3 million as of the last business day of Oct.

Weekly Market Update

For Week Ending December 02, 2022

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	34,429.88	0.4%	-3.3%	1.5%
S&P 500 Index	4,071.70	1.2%	-13.3%	-9.6%
NASDAQ	11,461.50	2.1%	-26.1%	-24.8%
S&P 400 Midcap Index	2,574.00	0.6%	-8.1%	-4.5%
S&P 600 Smallcap Index	1,245.36	1.1%	-10.0%	-7.1%
MSCI EAFE	6,711.69	1.1%	-12.3%	-8.6%
MSCI Emerging Markets	493.80	3.5%	-18.6%	-18.6%
Bloomberg US Agg	2,085.61	1.5%	-11.4%	-11.6%
Bloomberg Municipal 5 Yr	468.31	0.8%	-5.3%	-5.2%
Bloomberg US Corporate	3,031.11	1.7%	-14.0%	-14.0%
Bloomberg Gbl Agg ex US Hdg	533.70	0.4%	-7.6%	-8.3%
Bloomberg High Yield	2,220.00	0.9%	-9.8%	-8.4%
MSCI US REIT Index	2,012.32	0.7%	-21.6%	-15.8%
Bloomberg Commodity Index	248.68	-0.3%	17.4%	22.4%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.00%	4.00%	0.25%	0.25%
3-Month Treasury	4.25%	4.26%	0.06%	0.04%
1-Year Treasury	4.63%	4.72%	0.39%	0.25%
2-Year Treasury	4.27%	4.45%	0.73%	0.61%
5-Year Treasury	3.65%	3.86%	1.26%	1.21%
7-Year Treasury	3.58%	3.77%	1.44%	1.38%
10-Year Treasury	3.49%	3.68%	1.52%	1.44%
30-Year Treasury	3.55%	3.73%	1.90%	1.76%

Consumer Rates

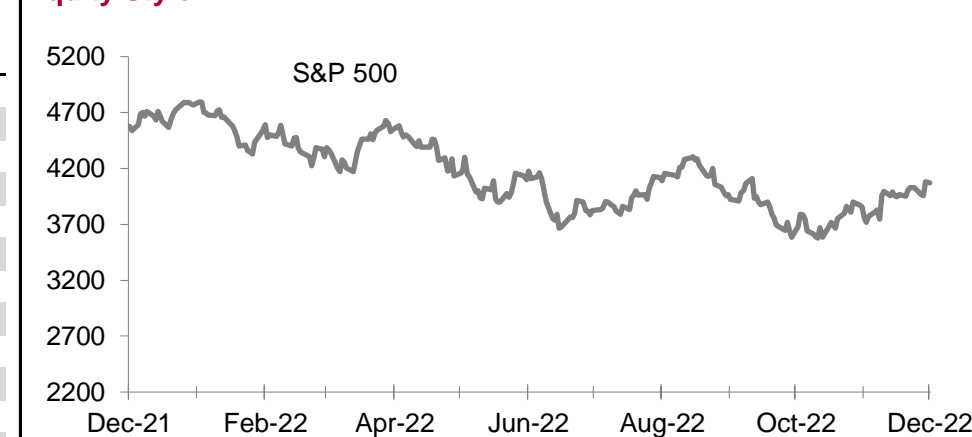
30-Year Mortgage	6.54%	6.78%	3.27%	3.23%
Prime Rate	7.00%	7.00%	3.25%	3.25%
3-Month LIBOR	4.73%	4.73%	0.21%	0.18%

Commodities

Gold	1,797.63	1,754.93	1,829.20	1,768.74
Crude Oil (WTI)	79.98	76.28	72.78	63.13
Gasoline	3.65	3.76	3.38	3.51
Natural Gas	6.28	7.33	3.64	4.15
Copper	3.85	3.63	4.43	4.25

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.81	19.82	4.61	2.02
S&P 500	18.51	19.69	4.11	1.62
S&P 500 Value	16.28	17.27	2.99	2.20
S&P 500 Growth	21.92	23.40	7.12	0.97
NASDAQ	15.90	16.71	3.91	1.99
S&P Midcap 400	13.54	14.82	2.38	1.60
S&P Smallcap 600	14.35	15.36	1.87	1.34
MSCI EAFE	12.62	13.82	1.71	3.37
MSCI Emerging Markets	11.60	11.00	1.54	3.33

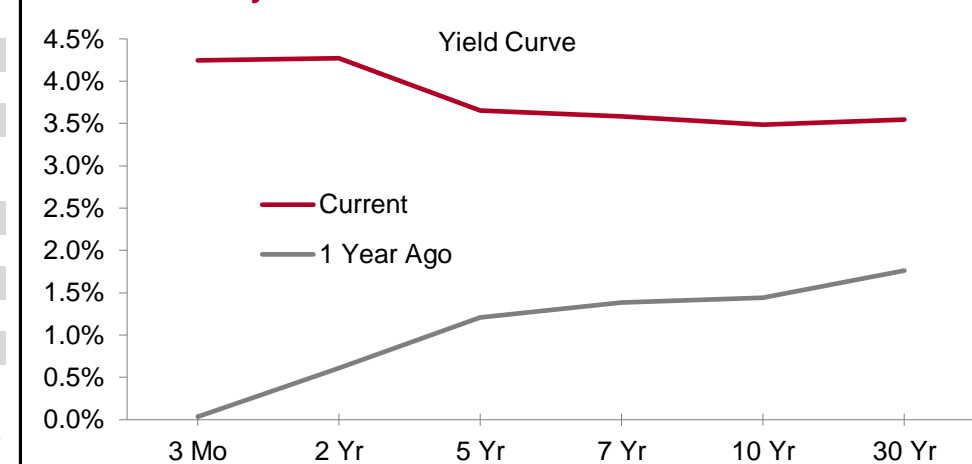
Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	7.58	8.54	9.65	> 10%	-1.56	-13.28	-23.73
Mid	8.41	8.66	8.94	0% - 10%	-2.39	-8.12	-13.74
Small	6.86	7.52	8.29	< 0%	-4.86	-9.95	-14.98

*S&P Indices

Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	1.03	2.47	10.66	> 10%	-3.80	-6.99	-25.14
Corp	1.72	6.49	11.84	0% - 10%	-3.32	-14.07	-22.21
HY	1.51	3.01	5.19	< 0%	-3.49	-9.13	-21.29

*Bloomberg Barclays Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	7.7%	6.2%
CPI Core Inflation	6.3%	4.6%
Personal Consumption Exp (PCE) Core	5.0%	4.3%

Jobs

Unemployment Rate (U3)	3.7%	4.2%
Broader Unemployment Rate (U6)	6.7%	7.7%
JOLT Survey (in millions)	10.33	11.09
Jobless Claims (000's)	225	240
Change in Non-Farm Payroll (000's)	263	647
Average Hourly Earnings (Y/Y % Change)	5.1%	5.3%

Consumer & Spending

Consumer Confidence (Conf Board)	100.2	111.9
Consumer Spending (\$ Bil)	17,776	16,474
Consumer Credit (\$ Bil)	4,701	4,355
Retail Sales (\$ Bil)	695	641

Housing

Housing Starts (000's)	1,425	1,563
Case-Shiller Home Price Index	300.41	271.50

U.S. Productivity

Real Gross Domestic Product (\$ Bil)	20,039	19,673
Quarter over Quarter Change	2.9%	2.7%
Year Over Year Change	1.9%	5.0%
ISM Manufacturing	49.00	60.60
Capacity Utilization	79.88	78.58
Markit US Composite PMI	46.30	57.20

U.S. General

Leading Economic Indicators	114.9	118.1
Trade Weighted Dollar Index	123.9	114.2
EUR / USD	1.05	1.13
JPY / USD	135.33	113.11
CAD / USD	0.74	0.78
AUD / USD	0.68	0.71

S&P 500 Sector Returns

	1 Month	YTD
Energy	1.52%	68.43%
Consumer Staples	8.58%	2.30%
Utilities	7.04%	1.49%
Health Care	7.09%	0.46%
Industrials	10.55%	-1.97%
Materials	15.74%	-6.06%
Financials	6.80%	-6.63%
Information Technology	10.27%	-22.00%
Real Estate	9.22%	-23.02%
Consumer Discretionary	6.11%	-29.23%
Communication Services	12.63%	-34.54%

Source: Bloomberg

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