DECEMBER 19, 2022

Weekly Market Update

General Market News

- The Federal Reserve (Fed) increased its policy rate by 50 basis points (bps) at last week's Federal Open Market Committee (FOMC) meeting, ending its string of four consecutive 75 bps hikes. This brings the fed funds upper target to 4.5 percent. While the pace of rate increases slowed this month, Fed Chair Jerome Powell made it very clear that he still expects more pain ahead and plans to continue to fight inflation with more rate hikes to bring the fed funds rate above 5 percent. The U.S. Treasury curve was down modestly last week. The 2-year, 5-year, and 10-year fell 10 bps (to 4.25 percent), 11 bps (to 3.66 percent), and 7 bps (to 3.51 percent), respectively. The 30-year leveled out, ending the week at 3.56 percent.

- Global equities fell last week as investors digested continued rate hikes from the FOMC. Despite another drop seen in consumer prices ahead of the meeting, headline inflation remained above seven percent and the Fed held its stance of continuing to raise rates, albeit at a slower pace. Consumer discretionary, technology, and financials were among the worst performers. Consumer discretionary and autos specifically were among the hardest hit by the news of the Fed continuing its march of higher rates. The top-performing sector was energy, followed by utilities and industrials. Energy has bucked the trend of other cyclical sectors as inventory levels remain historically low.

- There were two major economic pieces of data released last week. Tuesday saw the release of the Consumer Price Index for November. Consumer prices increased less than expected in November, with prices up 0.1 percent during the month. On a year-over-year basis, the 7.1 percent increase in prices in November marked the lowest level of consumer inflation this year.

- The highlight of the week, however, was the December FOMC meeting on Wednesday. The Fed hiked the federal funds rate by 50 bps at its December meeting, which was expected by investors and economists. Going forward, the Fed is expected to slow the pace of rate hikes in 2023.

- Lastly, on Thursday, the October retail sales report was released. Headline and core retail sales both fell more than expected as consumers were pressured by still-high inflation and high rates from the Fed.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–2.05	–5.50	–17.88	–15.26
Nasdaq Composite	–2.70	–6.61	–31.02	–28.85
DJIA	–1.65	–4.75	–7.50	–4.96
MSCI EAFE	–2.13	–0.34	–14.81	–12.64
MSCI Emerging Markets	–2.10	–1.46	–20.14	–18.99
Russell 2000	–1.81	–6.45	–20.40	–17.75

Source: Bloomberg, as of December 16, 2022

FIXED INCOME

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	1.70	–11.13	–11.32
U.S. Treasury	1.47	–10.71	–11.09
U.S. Mortgages	1.96	–9.69	–9.72
Municipal Bond	1.07	–7.81	–7.76

Source: Morningstar Direct, as of December 16, 2022

What to Look Forward To

This week's data will primarily focus on housing and the consumer. Shelter costs have had a major impact on inflation and investors will be watching this data for signs of cooling inflation in the space.

The week will kick off with the National Association of Home Builders Housing Market Index for December on Monday. Homebuilder confidence is expected to improve modestly in December after falling in every month this year.

Tuesday will see releases of housing starts and building permits for October, followed by additional housing data via existing home sales for November on Wednesday. Existing home sales are expected to fall for the tenth month in a row, with the annualized pace of sales slated to match levels last seen during Covid-19 lockdowns in 2020. Also slated for release on Wednesday is the Conference Board Consumer Confidence Survey for December.

Finally, the week will wrap the personal income and spending report for November. Both personal income and personal spending are set to show continued growth in November, although the pace of the increases is expected to slow.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. Rev. 12/22.

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