



### Weekly Recap

U.S. Treasury yields fell precipitously to end the week after wage data was lower than expected. The 10-year U.S. Treasury yield dropped about 30 basis points (bps) this week to 3.56% while the 2-year U.S. Treasury yield dropped by 20 bps on Friday alone, bringing the 2Yr/10Yr spread to -69 bps. Municipal debt relative to Treasuries was flat this week with the 10-year Muni/Treasury ratio at 69.76%, declining from 73.85% a month ago. The investment grade bond market has been red hot for issuance, with more than \$53 billion priced in the first two sessions of the new year, making it the most since 2016. Furthermore, the FOMC meeting minutes were released this week showing the Fed's desire for tighter financial conditions despite signs of the economy cooling. There is still uncertainty and open discussion among FOMC participants about whether the size of the next rate hike will be 25 or 50 bps, with ample data to be released before the February meeting, including next week's CPI report. In the equity market, value outperformed growth returning 2.51% and 0.32%, respectively. Amazon announced they are expected to eliminate roughly 18,000 jobs in the coming months, further signaling struggles for particular companies and a macroeconomic slowdown. Communication services was the top performing sector, while healthcare was the laggard with returns of 3.70% and -0.2%, respectively.

1/6/2023		Wk	Wk	YTD	12 Mos
		Net	%	Div	%
		Change	Change	Yield	%
<b>STOCKS</b>	Close				
DJIA	33,630.61	483.36	1.46	2.05	1.46
S&P 500	3,895.08	55.58	1.45	1.74	1.45
NASDAQ	10,569.29	102.81	0.98	1.01	0.98
S&P MidCap 400	2,489.95	59.57	2.45	1.82	2.45
EAFE	1,961.42	17.49	0.90	3.35	0.90
Emerging Market	984.00	27.62	2.89	3.09	2.89
					Wk
					%
<b>TREASURIES</b>	Yield		<b>FOREX</b>	Price	Change
2-Year	4.25		USD/EUR	1.06	-0.56
5-Year	3.70		JPY/USD	132.09	-0.73
10-Year	3.56		USD/GBP	1.21	0.09
30-Year	3.69		CAD/USD	1.34	0.82

Source: FactSet/Bloomberg

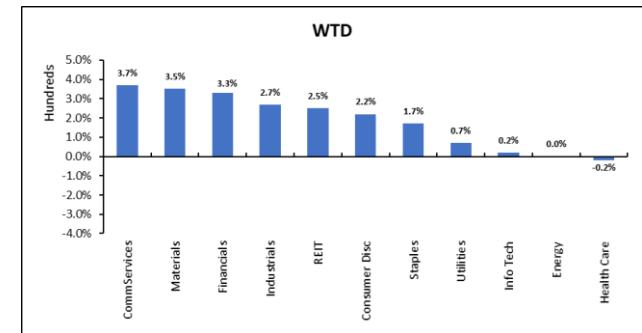
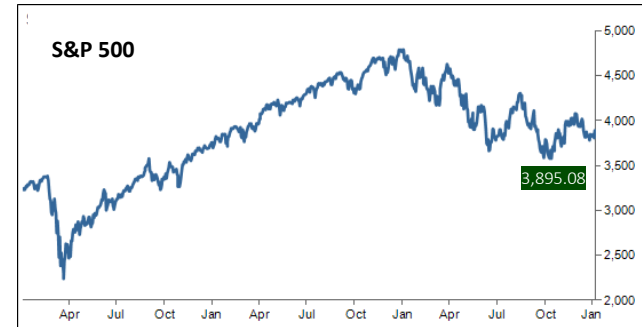
### Sector - Large Cap

	Close	Wk Net	WTD	MTD	QTD	YTD
<b>Defensive</b>						
Staples	792.74	13.61	1.7%	1.7%	1.7%	1.7%
Health Care	1,582.51	-3.03	(0.2%)	(0.2%)	(0.2%)	(0.2%)
CommServices	165.26	5.89	3.7%	3.7%	3.7%	3.7%
<b>Eco Sensitive</b>						
Consumer Disc	1,028.10	22.62	2.2%	2.2%	2.2%	2.2%
Energy	672.35	0.01	0.0%	0.0%	0.0%	0.0%
Industrials	854.00	22.60	2.7%	2.7%	2.7%	2.7%
Info Tech	2,176.86	4.69	0.2%	0.2%	0.2%	0.2%
Materials	506.45	16.90	3.5%	3.5%	3.5%	3.5%
<b>Interest Rate Sensitive</b>						
Financials	588.73	18.99	3.3%	3.3%	3.3%	3.3%
Utilities	361.00	2.52	0.7%	0.7%	0.7%	0.7%
REIT	238.14	5.77	2.5%	2.5%	2.5%	2.5%

### Key Thought for The Week

The Fed is keenly focused on lowering inflation down to its 2% target and to do so, it must tighten monetary policy enough to create slack in the labor market. The highly anticipated nonfarm payroll report for December contained evidence that the labor market is cooling to a degree, but the Fed still has some work to do. December's change in nonfarm payrolls came in at 223,000, which was slightly above the consensus estimate but considerably less than the previous 12-month average of 375,000. Fed officials were most likely encouraged to see average hourly earnings on an annual basis drop 20 basis points (bps) to 4.6%. However, the overall unemployment rate dropped 10 bps to reside at a 50-year low of 3.5%. Even with 425 bps of rate increases over the course of 2022, the labor market is still uncomfortably tight from the Fed's perspective, which means that the Fed will continue to raise interest rates and proceed with quantitative tightening as 2023 progresses. The most recent summary of economic projections from the Fed indicates that the median estimate for the Fed funds rate at the end of 2023 will be 5.1%, which is above what the market is currently forecasting.

COMING UP NEXT WEEK			Consensus	Prior
01/09	Consumer Credit SA	(Nov)	\$26.0B	\$27.1B
01/12	CPI ex-Food & Energy SA M/M	(Dec)	0.30%	0.20%
01/12	CPI NSA Y/Y	(Dec)	6.5%	7.1%
01/12	Hourly Earnings Y/Y (Final)	(Dec)	5.0%	-



### Russell Style Return

WTD	Value	Blend	Growth
Large	2.51%	1.45%	0.32%
Medium	2.84%	2.18%	0.95%
Small	2.24%	1.81%	1.38%

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Medium	2.84%	2.18%	0.95%
Small	2.24%	1.81%	1.38%