



Weekly Recap

The U.S. Treasury 10-year yield reached as low as 3.67% this week, flattening the 2s/10s spread to a cycle low of -70.5 basis points (bps). Despite last week's CPI print showing signs of cooling inflation, the Fed has maintained a hawkish tone in their fight to bring inflation to their 2% target. On Thursday, St. Louis Fed President James Bullard raised his forecast for Fed funds to reach "at least" 5-5.25% citing the Taylor rule for his reasoning. The Fed is making it clear that the pace of tightening is not their main concern at this point in the tightening cycle, rather they are more focused on finding the appropriate level for peak Fed funds and how long to keep rates at restrictive levels. The market is currently anticipating Fed funds peaking in Q2 2023 at 5.0% with the first rate cut in Q3 2023. Furthermore, all three major indices saw modest pullbacks this week with energy and consumer discretionary leading the way; consumer staples outperformed as a result of consumers being more conscious of spending habits amid high inflation and the looming threat of recession. Following Q3 earnings reports, the narrative for the performance of equities will shift to a macro outlook over the next few months. In economic data, the labor market is still strong with jobless claims reporting below consensus at 222k giving the Fed room for further rate hikes. Housing starts and existing home sales declined 4.2% and 5.9%, respectively.

Key Thought for The Week

The current relationship between the U.S. and China is tenuous to say the least. China's dramatic economic growth over the past few decades has been largely due to its incredible ability to export and import goods. Moreover, China's external trade amounted to approximately 6% of global GDP in 2021, which was considerably larger than the figure two decades prior of roughly 0.5%. The U.S. trade relationship with China has soured in recent years mainly due to the Chinese government's willingness to subsidize certain key industries coupled with alleged anti-competitive import restrictions. The deterioration of trade between the two largest economies in the world will mean supply chains need to be reconfigured, which will weigh on future productivity to a degree. Therefore, it was a welcome relief that the presidents of both countries had a 3-hour meeting earlier this week during the G20 Summit in Bali. There are still plenty of disagreements between the U.S. and China, but the meeting was a small step forward in stabilizing the relationship.

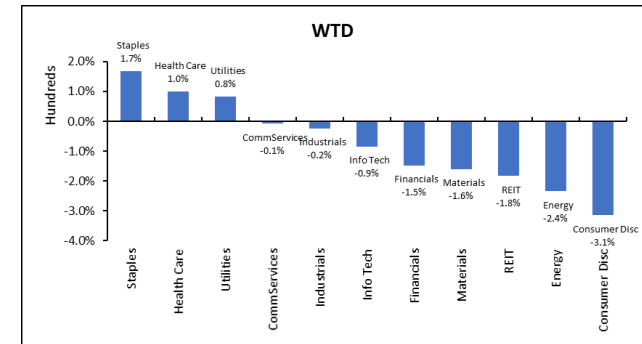
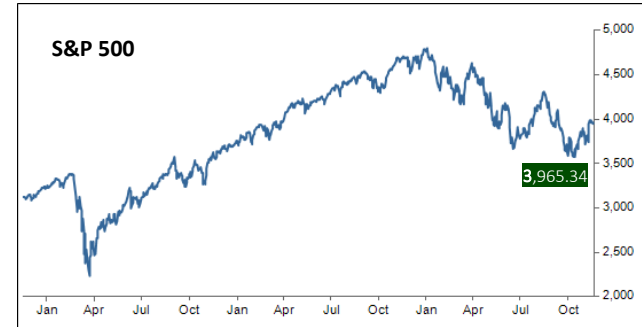
11/18/2022		Wk Net	Wk % Change	Div Yield	YTD Change	12 Mos % Change
STOCKS	Close					
DJIA	33,745.69	-2.17	-0.01	2.01	-7.13	-5.92
S&P 500	3,965.34	-27.59	-0.69	1.68	-16.80	-15.71
NASDAQ	11,146.06	-177.27	-1.57	0.94	-28.76	-30.31
S&P MidCap 400	2,510.63	-21.49	-0.85	1.74	-11.66	-12.93
EAFE	1,901.59	-16.82	-0.88	3.34	-18.60	-19.09
Emerging Market	941.36	6.63	0.71	3.27	-23.51	-26.02
TREASURIES	Yield			Wk % Change		
2-Year	4.54			USD/EUR	1.03	-0.21
5-Year	4.01			JPY/USD	140.37	-1.11
10-Year	3.83			USD/GBP	1.19	0.51
30-Year	3.93			CAD/USD	1.34	-0.74

Source: FactSet/Bloomberg

Sector - Large Cap

	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	778.78	12.93	1.7%	2.8%	11.9%	(3.2%)
Health Care	1,565.77	15.37	1.0%	1.2%	10.9%	(4.8%)
CommServices	166.31	-0.14	(0.1%)	2.7%	2.7%	(37.8%)
Eco Sensitive						
Consumer Disc	1,094.65	-35.58	(3.1%)	(2.7%)	(2.5%)	(32.0%)
Energy	699.19	-16.83	(2.4%)	1.4%	26.5%	65.4%
Industrials	838.94	-1.96	(0.2%)	5.2%	19.7%	(6.3%)
Info Tech	2,307.60	-19.80	(0.9%)	3.0%	11.0%	(24.5%)
Materials	502.64	-8.21	(1.6%)	7.8%	17.5%	(11.8%)
Interest Rate Sensitive						
Financials	586.71	-8.80	(1.5%)	4.0%	16.3%	(9.7%)
Utilities	348.10	2.86	0.8%	2.6%	4.7%	(4.3%)
REIT	238.25	-4.45	(1.8%)	3.5%	5.4%	(26.6%)

COMING UP NEXT WEEK		Consensus	Prior
11/21 Chicago Fed National Activity Index	(Oct)	0.13	0.10
11/23 Durable Orders ex-Transportation SA M/M (Preliminary)	(Oct)	-0.20%	-0.52%
11/23 Durable Orders SA M/M (Preliminary)	(Oct)	0.30%	0.39%
11/23 Markit PMI Manufacturing SA (Preliminary)	(Nov)	50.0	50.4
11/23 Markit PMI Services SA (Preliminary)	(Nov)	48.2	47.8
11/23 Michigan Sentiment NSA (Final)	(Nov)	55.5	54.7
11/23 New Home Sales SAAR	(Oct)	572.5K	603.0K



Russell Style Return

WTD	Value	Blend	Growth	YTD	Value	Blend	Growth
Large	(0.54%)	(0.84%)	(1.15%)	Large	(6.33%)	(16.62%)	(25.58%)
Medium	(1.29%)	(1.59%)	(2.13%)	Medium	(10.04%)	(15.21%)	(24.48%)
Small	(1.82%)	(1.70%)	(1.59%)	Small	(10.42%)	(16.64%)	(22.83%)