Weekly Manager's Pulse

October 24, 2022

U.S. equities finished higher last week, with the S&P 500 Index recording its best weekly gain in almost four months and the Dow Jones Industrial Average locking in its third consecutive week of gains. The week started off on an uptrend after a reversal in the UK government's fiscal stimulus plans, followed by generally positive earnings reports which largely either met or exceeded expectations. Specifically, about 20% of S&P 500 companies have reported third-quarter results, and about 73% have exceeded their respective earnings forecasts, contributing much of their success on the continuously strong U.S. consumer. Companies like Netflix, United Airlines, and Procter & Gamble all reported earnings that beat expectations and noted this resilient household demand. Ultimately, the S&P 500 Index and the DJIA finished the week 4.75% and 4.93% higher, respectively. Lastly, the 10-Year U.S. Treasury yield rose sharply last week, touching 14-year highs before ultimately settling at 4.21% for the week.

Economic Review*

- Industrial production rose 0.4% m/m
- Housing starts decreased 8.1% m/m
- Existing home sales decreased 1.5% m/m

Spotlight: INDEX PLUS

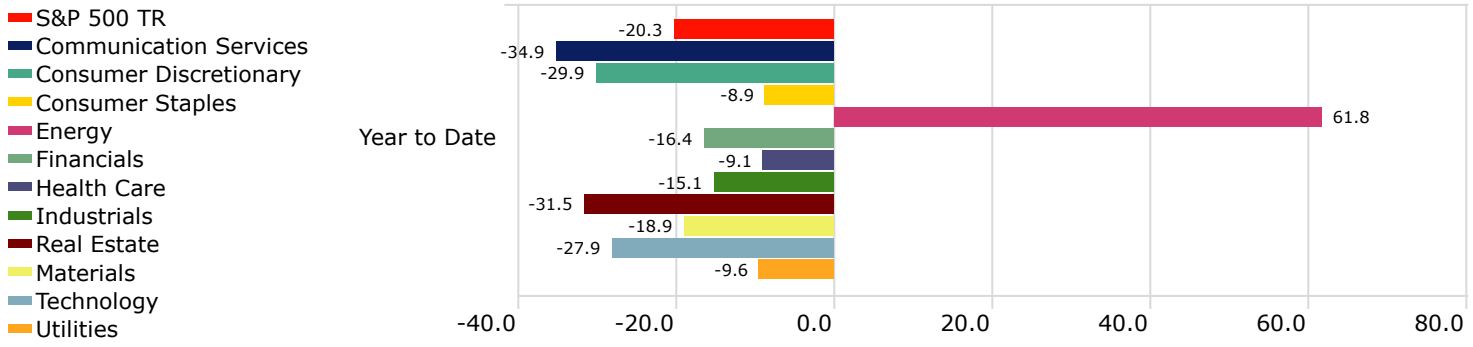
With increased interest in passive, low-cost investing, our Index PLUS models offer investors broad market exposure using lower cost, Passive holdings, which are then complemented with Tactical strategies. Working with two of the largest players in the index space, the Tactical strategies include an all-equity ESG strategy and a business-cycle sector rotation strategy, both of which remain fully invested in equities but tactically adjust allocations between various asset classes, sectors, or regions. Combining these Tactical strategies with a Passive allocation provides a twist on purely passive equity investing. We currently offer three models in the Index PLUS series that range from Moderate to Aggressive, purposely excluding Conservative and Moderate Conservative due to our belief that passive fixed income is not attractive in this low interest rate environment.

Stocks and bonds remained under pressure in Q3. Many of the same factors (i.e. inflation, rising rates, stronger US Dollar, and more restrictive central banks) are negatively impacting returns for both asset classes. Broad indexes of domestic stocks, bonds, and commodities all lost around -5% in Q3 as the S&P 500 fell by -4.88%, the Bloomberg US Aggregate Bond Index declined by -4.8%, and the Bloomberg Commodity Index lost -4.7%. Through Q3, the YTD return on the S&P 500 was -23.87% while the Bloomberg US Aggregate Bond Index fell by -14.6%. Through Q3, a traditional 60/40 portfolio was down by -20.6% YTD. Since 1976, only 2008 finished the year worse at -21%. In addition, there had never been three consecutive quarters in which stocks (as measured by the S&P 500) and bonds (as measured by the Bloomberg US Aggregate Bond Index) had declined until now.

Trailing Major Index Returns

	1 Week	1 Month	3 Month	1 Year
S&P 500	4.75	-0.86	-5.76	-16.23
S&P MidCap 400 TR	2.99	-0.97	-3.96	-15.93
S&P SmallCap 600 TR USD	3.36	0.00	-5.37	-17.08
MSCI ACWI NR USD	3.24	-2.59	-7.72	-21.91
MSCI EM NR USD	0.21	-7.10	-12.08	-31.19
Bloomberg US Agg Bond TR USD	-1.07	-4.77	-8.05	-16.11

YTD S&P Sector Returns



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Disclosure

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The indices are presented as broad-based measures of the equity, fixed income and consumer markets. The indices are provided for comparative and illustrative purpose to provide a comparison of the model against the broader based equity, fixed income and consumer market. The indices are not intended to reflect the investment objectives of the model as the securities held within the model will differ in market volatility, concentration, investment objectives and diversification among others from those of the indices. The indices are not managed, and returns do not reflect the deduction of fees, expenses, transaction costs or taxes that actual client accounts are subject to. Investors cannot invest directly in an index. Returns are not annualized for periods less than 1 year.

Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

* Sourced from JPMorgan Asset Management, publicly available at https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/

All other economic and market data sources may include, and is not limited to:

Edward Jones, publicly available at https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update

Goldman Sachs, publicly available at https://www.gsam.com/content/gsam/us/en/advisors/market-insights.html

T. Rowe Price, publicly available at https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html