Weekly Manager's Pulse

December 12, 2022

Equity markets experienced another volatile week of trading after stronger-than-expected economic data reiterated the need for further Fed tightening. Equities declined in response, with the S&P 500 Index and NASDAQ ending the week -3.35% and -3.98% lower, respectively. The energy and communication service sectors performed worst, while defensive sectors like utilities, health care, and consumer staples upheld best. The energy sector's losses were greatly due to oil prices falling to their lowest levels since 2021, as a rising recession risk put doubts on future expected demand. Ultimately, WTI and Brent crude oil finished the week at $71.02 and $76.10 per barrel, respectively. This week, the November CPI print and the new FOMC rate hike decision will be released, both of which could greatly impact market performance for the coming week.

Economic Review*

- Core wholesale prices (PPI) rose 0.4%, above cons. 0.2%
- Prelim consumer sentiment recovered to 59.1 from 56.8
- ISM Services PMI jumped to 56.5 from 54.4

Spotlight: FOCUS PLUS™

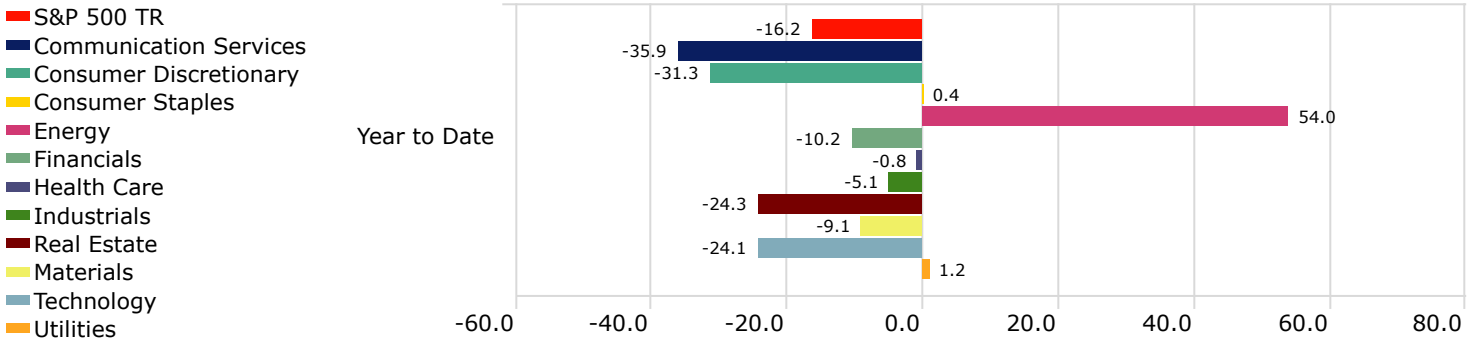
The Focus PLUS models are designed for investors who seek concentrated exposure to strategies through our Strategy PLUS offering. Each model within this series is uniquely constructed to highlight strategies that we believe are best positioned for the current market environment. Holdings within these models include Tactical strategies which range from those that will implement high cash/fixed income positions during periods of market volatility, to strategies that maintain full market exposure but tactically adjust exposure between various asset classes, sectors, or regions. Strategic strategies are also included and are built on long-term market expectations and offer investors full market exposure at all times. In addition, underlying holdings within the models provide Active management via individual stock or bond selection, as well as Passive investing which provides investors lower-cost, passive exposure to a specific index or benchmark. We believe the combination of these Strategic, Tactical, Active and Passive elements can deliver the desired portfolio outcome with greater diversification, improved risk management, and enhanced returns.

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	-3.35	5.16	-2.84	-14.33
S&P MidCap 400 TR	-4.02	3.95	-0.70	-9.64
S&P SmallCap 600 TR USD	-4.69	2.71	-0.14	-12.50
MSCI ACWI NR USD	-2.22	6.54	-0.20	-15.23
MSCI EM NR USD	0.48	8.86	1.23	-19.31
Bloomberg US Agg Bond TR USD	-0.44	4.67	-0.31	-11.72

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