# Weekly Manager's Pulse

November 28, 2022

U.S. equities closed higher last week on the back continued optimism following the lower-than-expected CPI print and the release of the November Fed minutes that indicated more officials were open to slowing its pace of rate hikes. Most of the gains came from defensive sectors, led by utilities and materials, as well as consumer staples, healthcare, and financials. The S&P 500 Index finished the week 1.56% higher. Economic data reports indicated a lower-than-expected U.S. flash composite PMI of 46.3 in November, versus 47.7, and an increase of 17k in initial jobless claims for the week ending November 18, also above expectations. In the bond market, sovereign yields ended the week lower, with longer-maturity U.S. Treasury yields ending even lower than shorter-maturity yields, further inverting the yield curve. The 10-Year and 2-Year U.S. Treasury yields finished the week at 3.68% and 4.42%, respectively.

**Economic Review***
- New home sales increased to 632k
- Initial claims increased to 240k
- Composite PMI (prelim.) decreased to 46.3

**Spotlight:** INDEX PLUS

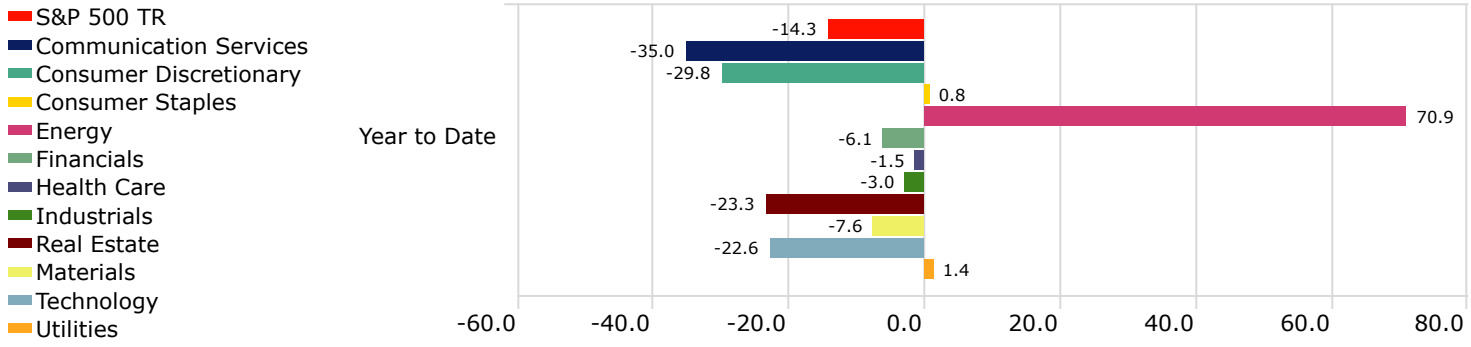
With increased interest in passive, low-cost investing, our Index PLUS models offer investors broad market exposure using lower cost, Passive holdings, which are then complemented with Tactical strategies. Working with two of the largest players in the index space, the Tactical strategies include an 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 | 1.56 | 4.52 | -3.69 | -12.99 |
| S&P MidCap 400 TR | 1.96 | 7.44 | -0.22 | -9.39 |
| S&P SmallCap 600 TR USD | 1.20 | 6.09 | -2.22 | -12.44 |
| MSCI ACWI NR USD | 1.51 | 7.20 | -2.37 | -15.21 |
| MSCI EM NR USD | -0.09 | 11.62 | -5.82 | -22.78 |
| Bloomberg US Agg Bond TR USD | 1.05 | 3.86 | -3.13 | -12.19 |

## 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