Weekly Manager's Pulse

October 17, 2022

U.S. equities experienced another volatile week of trading, with most major indexes finishing the week lower. The S&P 500 gave back almost half of its gains since the bottom in March of 2020. Stocks saw their biggest moves on Thursday's intra-day reversal from their early morning sell-off, with the S&P 500 surging 5.5% to the upside. Thursday's intra-day reversal was the 5th largest in the history of the S&P 500 and the 4th largest in the history of the NASDAQ. Ultimately, the S&P 500 Index finished the week down -1.53%. Within the S&P, consumer staples and health care outperformed most, while declines in shares of Tesla, Inc. (TSLA), Amazon.com, Inc. (AMZN), and Meta Platforms, Inc. (META) weighed down the consumer discretionary and communications sectors to underperform for the week. New inflation data came in higher than expected, with Headline CPI rising 0.4% and Core CPI, excluding food and energy, rising 0.6% month-over month in September. On a year-over-year basis, Headline CPI and Core CPI rose 8.2% and 6.6% since last September, respectively.

Economic Review*

- Headline CPI rose 0.4% and Core CPI jumped 0.6% in Sept.
- Retail sales flat-lined in Sept. but rose 0.1% excluding autos
- Prelim. Oct. consumer sentiment fell to 56.2 from 58.0

Spotlight: ESG PLUS

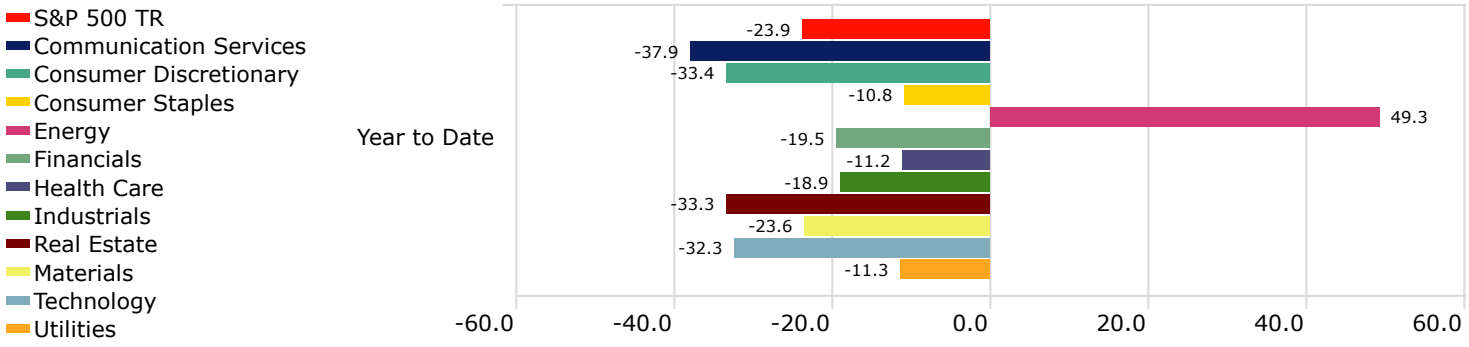
Sustainable investing has witnessed exponential growth over the past few years as investors have increasingly embraced companies that take action to address environmental and social issues. The ESG PLUS models are designed for investors seeking to gain exposure to those types of companies. These models provide access to three separate areas of ESG investing. The first is a Tactical, all-equity, global strategy that focuses on companies that exhibit positive environment, social, and governance characteristics. The second is a Tactical, all-equity strategy that provides exposure to environmental themes including clean technology, energy, and water. The third is a Strategic fixed income strategy that provides exposure to various areas of the fixed income market, such as investment grade and high yield bonds, and asset-backed and mortgage-backed securities. By combining these three unique strategies, we are able to offer a full suite of ESG models that range from Aggressive to Conservative.

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	-1.53	-9.08	-5.07	-18.01
S&P MidCap 400 TR	-0.93	-7.37	-0.23	-16.96
S&P SmallCap 600 TR USD	-0.22	-5.95	-1.64	-19.17
MSCI ACWI NR USD	-1.93	-9.20	-5.86	-22.71
MSCI EM NR USD	-3.81	-10.18	-9.93	-29.90
Bloomberg US Agg Bond TR USD	-1.19	-4.29	-6.39	-15.90

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