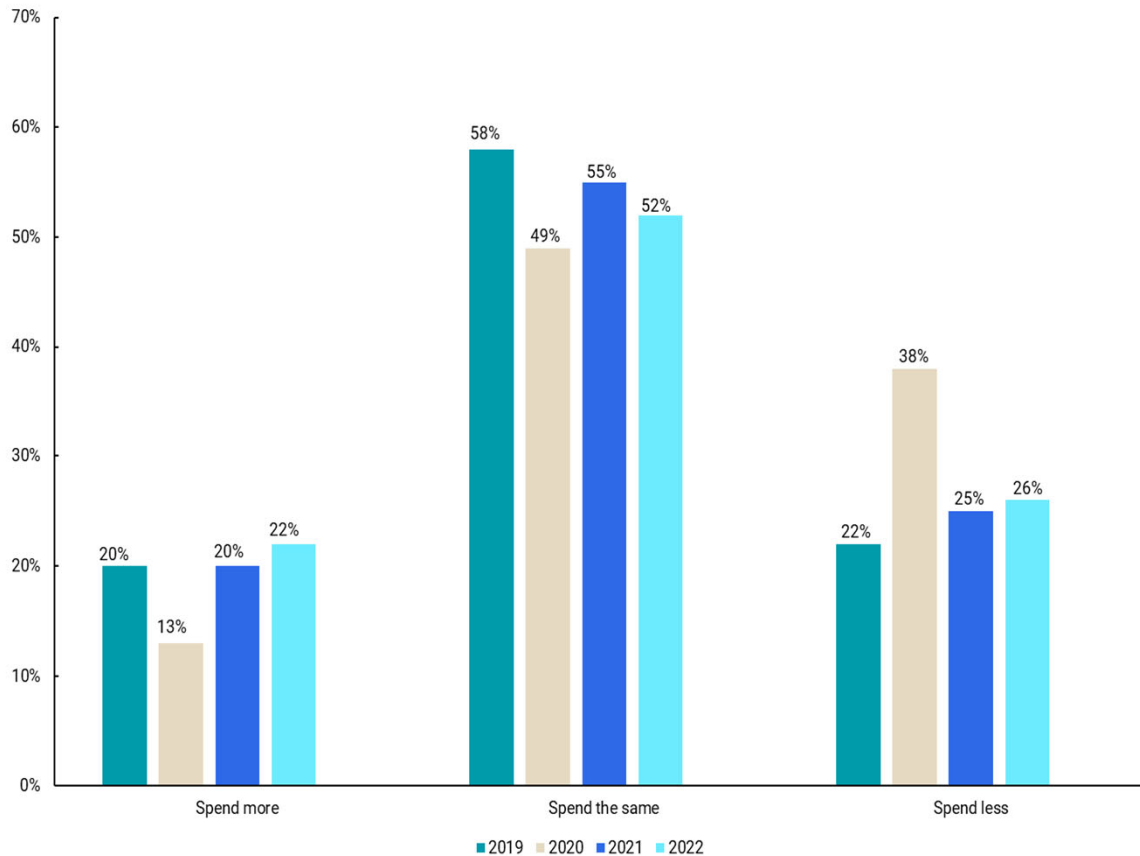


Weekly market update



Chart of the week (Dec. 16, 2022)

Change in holiday spending behavior among U.S. consumers 2019 to 2022



Almost two-thirds of the U.S. economy is built on consumer spending, with the holiday season being the most important period for many retailers. Keeping track of spending during this period can provide clues to how consumers are feeling and color the outlook for the economy in general.

There are, of course, many factors that influence spending. A solid job market is near the top of the list as consumers with a job are more likely to spend. This year appears to be in fine shape as unemployment remains low at 3.70% in the last report from the Department of Labor, and overall demand for labor is robust.

An offsetting factor this year is inflation. Prices have increased at the fastest level in some forty years, and the response from the Federal Reserve has been to raise rates faster than any past period of Fed tightening. The goal of higher rates is to slow the economy, setting into motion a cycle of reducing demand, which reduces corporate incomes, leads to higher unemployment, and slows the economy.

Increases in interest rates act with a lag, so it is not surprising that the economy has yet to react. As our chart shows, consumers expect to spend about the same amount this year as last, and things look a lot better than the pandemic impacted 2020 season. It is worth noting that if the spending level is the same and prices are higher, the actual amount of goods purchased will be somewhat less than in 2021.

Not trying to be a Grinch this holiday season, but we are aware that the effects of this year's Fed tightening may be felt a bit more in 2023. We wish you and yours a safe and happy holiday season!

Weekly market update



Commentary (Dec. 16, 2022)

Domestic Equities

- U.S. stocks rallied early in the week as data indicated inflation was cooling but fell sharply in the back half of the week as inflation fears are beginning to turn into recession fears.
- The Fed raised its benchmark interest rate 0.50%, as expected this week. The Central Bank also indicated it would raise rates through the spring, ultimately to a higher level than previously expected. The Fed forecast also indicated that it could hold rates at their peak until 2024, alarming some investors who had expected the Fed to reverse course and begin cutting rates next year.
- Investors fear the Fed will go too far with rate hikes and cause a recession. Adding to these concerns, retail data out this week showed sales fell last month, and oil prices continue to fall as expectations for future demand are declining.

Bonds

- U.S. Treasuries were mixed for the week, with hawkish central bank action pushing short-term rates higher, while softening inflation data contributed to lower yields at the long end.
- It was a busy week for global central banks, with the Federal Reserve, European Central Bank (ECB), Bank of England (BOE) and Swiss National Bank (SNB) all hiking policy rates by 0.50%.
- The Fed also released its Summary of Economic Projections (SEP), in which the committee downgraded its growth and employment outlook for 2023 but raised its outlook for core PCE inflation. The dot plot in the SEP also showed that 17 of 19 participants now believe that the terminal rate will need to be raised to at least 5.1%, which is slightly higher than the median estimate from September.

International Equities

- Global investors are becoming more cautious amid rising concerns about recession risks as central banks press on with their fight against inflation.
- Developed markets fell for the second consecutive week, with losses seen in the largest markets across the European and Pacific regions. European stocks struggled as the European Central Bank increased its policy rate by 0.50% and signaled that interest rates still have to rise significantly to combat elevated inflation levels across the region.
- Emerging market stocks shed some of the gains achieved over the last two weeks as markets in Asia and Latin America fell. Chinese stocks faced challenges as economic data on retail sales and industrial production missed expectations as the country's zero-COVID policy and persistent infection rates continue to weigh on its economy.

Economics

- The Bureau of Labor Statistics reported the Consumer Price Index (CPI-U) increased 7.1% over the prior 12 months and 0.10% in Nov., both of which showed lower growth from the prior reading. Monthly declines were due to energy and used cars and trucks displaying lower prices, whereas shelter greatly contributed to the overall level. Core CPI (excludes food and energy) was 6.0% over the prior 12 months.
- The Census Bureau reported retail sales declined 0.60% to \$689 billion in November. The decline was broad-based, with most categories showing a decline in the month.
- Initial claims for unemployment were 211k for the week ending Dec. 10, a decline of 20k. Continuing claims were 1.67m for the week ending Dec. 3.
- Personal income and consumer spending will be released on Friday.

Weekly Market Update

For Week Ending December 16, 2022

Markets

	Last Price	Change From Prior Week	Change From Year End	Change From Year Ago
Capital Markets				
Dow Jones Industrial Avg	32,920.46	-1.6%	-7.5%	-6.4%
S&P 500 Index	3,852.36	-2.1%	-17.9%	-16.2%
NASDAQ	10,705.41	-2.7%	-31.0%	-28.9%
S&P 400 Midcap Index	2,416.51	-2.1%	-13.7%	-10.1%
S&P 600 Smallcap Index	1,154.54	-2.6%	-16.5%	-12.6%
MSCI EAFE	6,555.43	-2.1%	-14.3%	-12.9%
MSCI Emerging Markets	485.77	-2.1%	-19.9%	-19.2%
Bloomberg US Agg	2,093.05	0.8%	-11.1%	-11.2%
Bloomberg Municipal 5 Yr	470.39	0.2%	-4.9%	-4.8%
Bloomberg US Corporate	3,039.66	0.5%	-13.7%	-13.6%
Bloomberg Gbl Agg ex US Hdg	529.38	-0.8%	-8.4%	-9.1%
Bloomberg High Yield	2,216.33	0.0%	-10.0%	-9.3%
MSCI US REIT Index	1,927.75	-2.4%	-24.9%	-21.6%
Bloomberg Commodity Index	245.27	1.0%	15.8%	18.4%

Key Rates

	Last Price/Yield	Prior Week	Year End	Year Ago
Fed Funds Target	4.50%	4.00%	0.25%	0.25%
3-Month Treasury	4.25%	4.26%	0.06%	0.03%
1-Year Treasury	4.56%	4.68%	0.39%	0.24%
2-Year Treasury	4.18%	4.34%	0.73%	0.61%
5-Year Treasury	3.62%	3.77%	1.26%	1.16%
7-Year Treasury	3.58%	3.70%	1.44%	1.33%
10-Year Treasury	3.48%	3.58%	1.52%	1.41%
30-Year Treasury	3.55%	3.56%	1.90%	1.85%

Consumer Rates

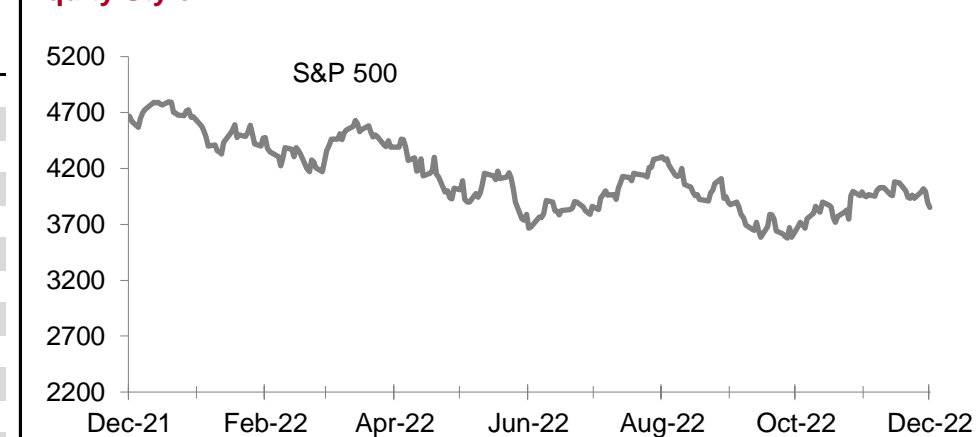
30-Year Mortgage	6.55%	6.63%	3.27%	3.24%
Prime Rate	8.25%	7.75%	4.00%	4.00%
3-Month LIBOR	4.75%	4.73%	0.21%	0.21%

Commodities

Gold	1,793.08	1,797.32	1,829.20	1,799.35
Crude Oil (WTI)	74.29	71.02	72.78	67.57
Gasoline	3.35	3.50	3.38	3.41
Natural Gas	6.60	6.25	3.64	4.08
Copper	3.76	3.88	4.43	4.25

	P/E Forward	P/E Trailing	Price to Book	Current Div Yield
Index Characteristics				
Dow Jones Industrial Avg	18.03	18.95	4.41	2.11
S&P 500	17.55	18.63	3.88	1.72
S&P 500 Value	15.57	16.51	2.86	2.30
S&P 500 Growth	20.57	21.89	6.65	1.04
NASDAQ	15.25	16.00	3.74	2.08
S&P Midcap 400	12.69	13.90	2.23	1.91
S&P Smallcap 600	13.19	14.28	1.73	1.47
MSCI EAFE	12.22	13.46	1.66	3.48
MSCI Emerging Markets	11.49	10.68	1.51	3.42

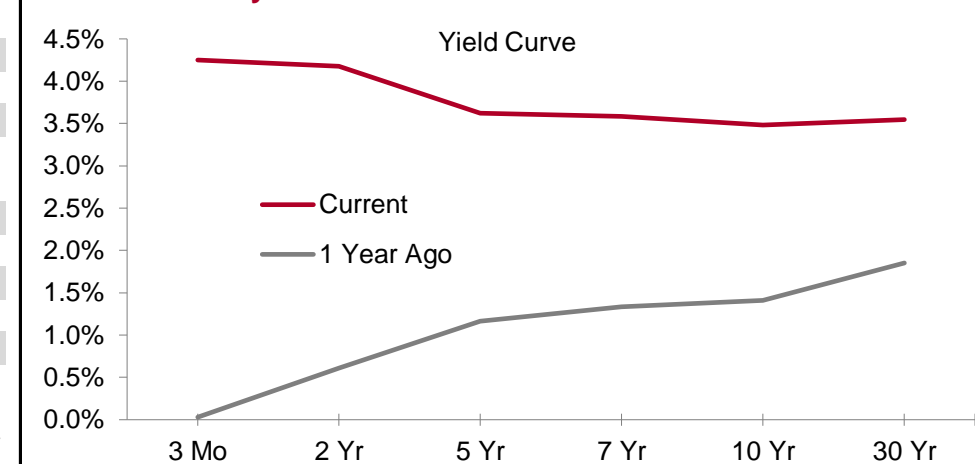
Equity Style



	1 Month*				Year to Date*		
	Value	Core	Growth		Value	Core	Growth
Large	-1.29	-2.53	-3.93	> 10%	-5.95	-17.90	-28.56
Mid	-2.98	-3.49	-4.04	0% - 10%	-8.02	-13.66	-19.18
Small	-4.75	-4.77	-4.81	< 0%	-11.54	-16.45	-21.31

*S&P Indices

Fixed Income Style



	1 Month*				Year to Date*		
	Short	Interm.	Long		Short	Interm.	Long
Govt	0.61	1.05	5.67	> 10%	-3.55	-6.78	-24.82
Corp	0.78	2.57	5.69	0% - 10%	-3.13	-13.81	-21.94
HY	0.84	1.45	3.74	< 0%	-3.60	-9.32	-20.49

*Bloomberg Barclays Indices.

Economic Data

	Last Release	Year Ago
Inflation		
CPI Headline Inflation	7.1%	6.8%
CPI Core Inflation	6.0%	4.9%
Personal Consumption Exp (PCE) Core	5.0%	4.3%

Jobs

Unemployment Rate (U3)	3.7%	4.2%
Broader Unemployment Rate (U6)	6.7%	7.7%
JOLT Survey (in millions)	10.33	11.09
Jobless Claims (000's)	211	228
Change in Non-Farm Payroll (000's)	263	647
Average Hourly Earnings (Y/Y % Change)	5.1%	5.3%

Consumer & Spending

Consumer Confidence (Conf Board)	100.2	111.9
Consumer Spending (\$ Bil)	17,776	16,474
Consumer Credit (\$ Bil)	4,729	4,376
Retail Sales (\$ Bil)	689	648

Housing

Housing Starts (000's)	1,425	1,563
Case-Shiller Home Price Index	300.41	271.50

U.S. Productivity

Real Gross Domestic Product (\$ Bil)	20,039	19,673
Quarter over Quarter Change	2.9%	2.7%
Year Over Year Change	1.9%	5.0%
ISM Manufacturing	49.00	60.60
Capacity Utilization	79.66	78.98
Markit US Composite PMI	44.60	57.00

U.S. General

Leading Economic Indicators	114.9	118.1
Trade Weighted Dollar Index	122.5	115.8
EUR / USD	1.06	1.13
JPY / USD	137.78	113.67
CAD / USD	0.73	0.78
AUD / USD	0.67	0.72

S&P 500 Sector Returns

	1 Month	YTD
Energy	-8.83%	57.12%
Utilities	2.80%	0.71%
Consumer Staples	1.20%	-0.93%
Health Care	1.98%	-2.59%
Industrials	-0.81%	-6.10%
Materials	-1.35%	-11.24%
Financials	-4.47%	-12.44%
Real Estate	-0.98%	-25.96%
Information Technology	-3.37%	-26.60%
Consumer Discretionary	-5.98%	-34.85%
Communication Services	-4.67%	-39.60%

Source: Bloomberg

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