



Equities

Stocks posted another strong week, boosted Wednesday by a Fed press conference in which Fed Chair Powell sounded decidedly less hawkish. Tech earnings were largely poor, with Apple, Amazon, and Alphabet missing on key metrics, though Meta soared 30% as cost cuts aided its FCF profile. The composition of the YTD rally has been remarkable; the momentum factor has seen its worst 40-day return since 2009 as last year's high-beta losers have led and vice versa. Friday's jobs report complicated the narrative as yields rose.

Fixed income

The Fed raised rates 25bps to 4.50% on Wednesday as expected. While the statement said that "ongoing increases" in the Fed funds rate "will be appropriate", comments at the press conference acknowledged progress on inflation and resisted pushing back on rate cuts priced in for later this year. This sparked a wild mid-week ride for yields, as the 10-year yield dropped 22 bps to a low of 3.33%, only to reverse higher after the stronger than expected data on Friday. Markets expect the Fed to raise rates about another 50bps to around 5%, and price 1 to 2 rate cuts by end-2023.

Commodities

Crude prices declined for much of the week, bouncing briefly Fri on a strong job report before declining on rising inventories. The looming ban on European imports of Russian refined products goes into effect Sunday, and all eyes will be on how the EU will source its fuel imports. Industrial metals prices bottomed in late Sep and have risen more than 23% since then, reflecting global economic optimism. Gold dipped 2.50% Friday as the U.S. dollar had its best 2-day stretch in 3 months.

Economic overview

The economy added 517,000 jobs in January (Cons 195K) and the unemployment rate dropped to 3.4%, a 53-year low. The unambiguously strong report reinforced other data that reflect a tight labor market, including this week's rise in JOLTS data and another drop in initial jobless claims to 183,000. Average hourly earnings rose a modest 0.3% m/m which was a bright spot for those at the Fed concerned about wage dynamics. On the growth side, the economy continues to show signs of further rocky deceleration. The ISM manufacturing edged lower to 47.4 in January and consumer confidence fell to 107.1 (Cons 109.0).

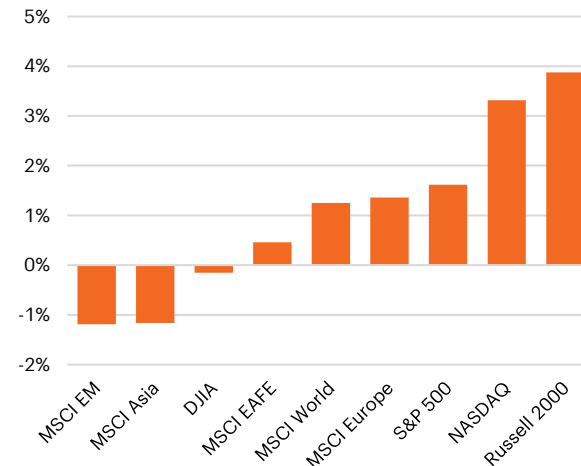
Equities (price index)		MTD	QTD	YTD	2022
S&P 500	4,136.48	1.47%	7.73%	7.73%	-19.44%
DJIA	33,926.01	-0.47%	2.35%	2.35%	-8.78%
NASDAQ	12,006.96	3.65%	14.72%	14.72%	-33.10%
Russell 2000	1,985.53	2.77%	12.73%	12.73%	-21.56%
MSCI World	2,820.74	1.28%	8.38%	8.38%	-19.46%
MSCI Europe	1,910.10	1.57%	10.31%	10.31%	-17.28%
MSCI EAFE	2,119.00	0.88%	9.01%	9.01%	-16.79%
MSCI Asia	168.56	0.36%	8.23%	8.23%	-19.36%
MSCI EM	1,038.71	0.70%	8.61%	8.61%	-22.37%
VIX	18.33	-1.07	-3.34	-3.34	4.45

Fixed income (total return index)		MTD	QTD	YTD	2022
Barclays U.S. Agg	2,110.65	-0.05%	3.02%	3.02%	-13.01%
Inv. grade bonds	3,089.43	0.07%	4.08%	4.08%	-15.76%
High yield bonds	2,294.34	1.11%	4.95%	4.95%	-11.19%
Leveraged Loans	3,396.55	0.32%	3.06%	3.06%	-0.60%

Alternatives (total return index)		MTD	QTD	YTD	2022
FTSE NAREIT	23,844.18	0.83%	10.99%	10.99%	-24.95%
REIT Index					
GS Commodity Index	574.50	-5.21%	-5.83%	-5.83%	8.71%
Alerian MLP Index	1,592.68	0.23%	6.85%	6.85%	30.92%
HFRX Global*	1,396.90	0.44%	2.13%	2.13%	-4.41%

*1-day lag

Last week's equity returns



Commodities		MTD	QTD	YTD	2022
WTI Crude	\$73.39	-6.95%	-8.56%	-8.56%	6.71%
Brent Crude	\$79.94	-5.39%	-6.95%	-6.95%	10.45%
Natural Gas	\$2.41	-10.21%	-46.15%	-46.15%	19.97%
Gold	\$1,863	-3.45%	2.01%	2.01%	-0.13%

Currency

Dollar Index (DXY)	102.92	0.80%	-0.59%	-0.59%	8.21%
USDCNY	6.80	0.63%	-1.46%	-1.46%	8.54%
Bitcoin	23,384	1.89%	41.38%	41.38%	-64.30%

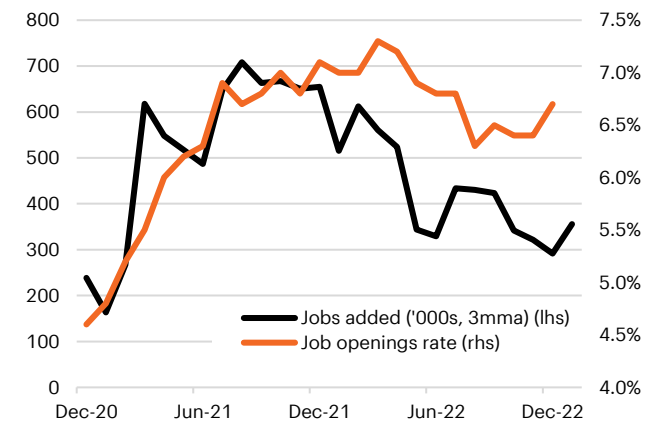
Spreads

Inv. grade bonds	115 bps	-2 bps	-15 bps	-15 bps	38 bps
High yield bonds	385 bps	-35 bps	-84 bps	-84 bps	186 bps
Leveraged loans	502 bps	-7 bps	-58 bps	-58 bps	149 bps
Emerging markets	314 bps	-9 bps	-25 bps	-25 bps	42 bps

Interest rates

Fed Funds Target	4.625%	4.375%	4.375%	4.375%	0.125%
SOFR	4.56%	25 bps	26 bps	26 bps	425 bps
3-month LIBOR*	4.81%	-1 bps	4 bps	4 bps	456 bps
2-year Treasury	4.29%	9 bps	-14 bps	-14 bps	369 bps
10-year Treasury	3.52%	2 bps	-35 bps	-35 bps	236 bps
30-year Treasury	3.61%	-2 bps	-35 bps	-35 bps	206 bps
Barclays U.S. Agg	4.32%	3 bps	-36 bps	-36 bps	293 bps
Inv. grade bonds	4.97%	1 bps	-45 bps	-45 bps	309 bps
High yield bonds	7.88%	-26 bps	-108 bps	-108 bps	475 bps

U.S. labor market still robust



Source: U.S. BLS, as of January 31, 2023.

Equities

S&P 500: Leading single benchmark of large-cap U.S. equities, representing approximately 500 of the largest U.S. companies. **Dow Jones Industrial Average:** Price-weighted measure of 30 U.S. blue-chip companies. **NASDAQ:** Stock market index of stocks listed on the NASDAQ. Index is heavily weighted toward technology companies. **Russell 2000:** Index measuring performance of approximately 2,000 small-cap U.S. equities. **MSCI World Index:** Broad global equity benchmark including both developed and emerging markets. **MSCI Europe Index:** Equity benchmark that measures the performance of large and mid-cap equities across 15 developed countries in Europe. **MSCI EAFE Index:** Equity benchmark that represents the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East. **MSCI Asia Index:** Equity benchmark that captures large and mid-cap representation across developed market countries and emerging market countries in Asia. **MSCI Emerging Markets Index:** Equity benchmark representing 24 developing or emerging market countries, representing 10% of world market cap. For more info on these MSCI indices, visit MSCI.com. **CBOE Volatility Index (VIX):** Key measure of market expectations of near-term volatility conveyed by S&P 500 stock option price.

Credit

Bloomberg Barclays U.S. Aggregate Bond Index: Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment-grade, fixed-rate bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market.

Alternatives

FTSE NAREIT All Equity REITs Index: Free-float adjusted market cap-weighted index that includes all tax-qualified REITs listed in the NYSE, AMEX, and NASDAQ. **S&P GSCI:** First major investable commodity index. It is one of the most widely recognized benchmarks that is broad-based and production-weighted to represent the global commodity market beta. **Alerian MLP Index:** Leading gauge of energy MLPs, representing about 85% of total industry market cap. **HFRX Global Hedge Fund Index:** Index designed to be representative of the overall composition of the hedge fund universe, comprised of all eligible hedge fund strategies.

Commodities

Generic 1st Crude Oil (WTI Crude): Front-month West Texas Intermediate Crude Oil futures. **Generic 1st Brent Crude Oil (Brent Crude):** Front-month Brent Crude futures. **Generic 1st Natural Gas:** Front-month natural gas futures. **Generic 1st Gold, 100 oz:** Front-month gold (100 oz) futures.

Currency

Dollar Spot Index: Indicates the general international value of the USD by averaging the exchange rates between the USD and major world currencies. **USDCNY:** price of 1 USD in CNY (the Chinese renminbi, or yuan). **Bitcoin:** price of 1 Bitcoin in USD.

Spreads

Bloomberg Barclays U.S. Corporate Index: Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market. **Bloomberg S&P/LSTA U.S. Leveraged Loan Index:** Market value-weighted index designed to measure the performance of the U.S. leveraged loan market. **Barclays EM USD Aggregate Index:** Flagship hard currency emerging market debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign and corporate EM issuers.

Interest rates

Fed funds target: Target rate for the federal funds policy rate, set by the Federal Reserve each meeting. This rate is an “overnight rate,” i.e., it is the rate charged by depository institutions (banks) to each other for overnight loans. **SOFR:** Secured Overnight Financing Rate (SOFR) measures the cost of borrowing cash overnight collateralized by Treasuries. **ICE 3-Month London Interbank Offered Rate (LIBOR):** Average interest rate at which leading banks borrow funds of a sizable amount from other banks in the London market. LIBOR is the most widely used “benchmark” or reference rate for short-term interest rates. **Treasury rates:** Market yields for U.S. Treasury securities with maturities of 2, 10 and 30 years. **Bloomberg Barclays U.S. Aggregate Bond Index:** Broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg Barclays U.S. Corporate Index:** Measures the USD-denominated, investment grade, fixed-rate, taxable bond market. **Bloomberg Barclays U.S. Corporate High Yield Index:** Measures the USD-denominated, high yield, fixed-rate bond market.

Sources: Bureau of Labor Statistics (BLS), Department of Labor, Bureau of Economic Analysis (BEA), International Monetary Fund (IMF), OECD, Federal Reserve, Institute for Supply Management (ISM), Mortgage Bankers Association (MBA), U.S. Census Bureau, Standard & Poor's, Bank of America Merrill Lynch, Bloomberg, Macrobond.

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