



**Equities**

Stocks were down slightly last week following the prior week's big gains. S&P 500 forward 12-month earnings estimates are on pace to fall for a third month in a row; since 1990, only during recessions have EPS estimates declined in four consecutive months.

Compositionally, last week saw a return to many of the dynamics that reigned for much of this year – leadership reverted back to industries that have shown the most earnings resilience (defensives and value-oriented). The VIX sits at 23.12, a relatively benign number given that the market is almost 20% below its high. EM and Asia stocks benefitted from an upturn in China sentiment.

**Fixed income**

The subdued PPI report sparked a broad rally at the start of the week on the hopes that peak inflation is in the rearview mirror. But mid-week, strong retail sales data and hawkish Fed rhetoric caused concerns about over-tightening to reemerge. Short-term yields climbed, with the 3-month up 8 bps on the week, while the 10-year yield fell as low as 3.66% (though reversed to end at 3.83%). The 2-year to 10-year yield spread is now deeply negative at a 40-year low. An inverted yield curve reflects market concern about Fed tightening causing the economy to slow too quickly, and is widely considered a reliable recession indicator.

**Commodities**

Oil plunged -9.98% to \$80/bbl, the largest weekly drop since spring 2021 and the lowest level since Sept. Despite whispers of an eventual laxer policy, China is now undergoing its broadest COVID lockdowns yet, crushing the oil demand outlook. U.S. crude inventories fell another 5.4 million barrels last week, though low stockpiles seem irrelevant (for now) compared to the China demand factor. Gold fell as the USD and real rates stemmed recent declines.

**Economic overview**

Markets were whipped between dovish and hawkish news last week. First, producer prices rose 0.2% in October, less than the 0.4% that was expected, with details painting a picture of input price inflation slowing rapidly. But on Wednesday, retail sales rose 1.3% m/m (Cons 1.0%), including a robust 0.7% gain in the "control" group that aligns with GDP consumption. This early indicator that households remain primed to spend caused markets to ratchet the peak Fed funds rate up to over 5% by May 2023.

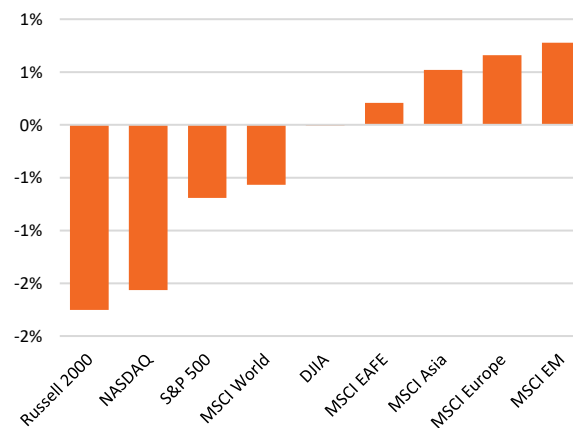
Equities (price index)		MTD	QTD	YTD	2021
S&P 500	3,965.34	2.41%	10.59%	-16.80%	26.89%
DJIA	33,745.69	3.09%	17.48%	-7.13%	18.73%
NASDAQ	11,146.06	1.44%	5.39%	-28.76%	21.39%
Russell 2000	1,849.73	0.16%	11.11%	-17.62%	13.70%
MSCI World	2,658.90	4.36%	11.78%	-17.73%	20.14%
MSCI Europe	1,715.02	10.07%	17.88%	-18.07%	13.75%
MSCI EAFE	1,922.38	9.85%	15.70%	-17.71%	8.78%
MSCI Asia	152.67	12.11%	9.90%	-20.95%	-3.40%
MSCI EM	943.01	11.18%	7.68%	-23.46%	-4.59%
VIX	23.12	-2.76	-8.50	5.90	-5.53

Fixed income (total return index)		MTD	QTD	YTD	2021
Barclays U.S. Agg	2,032.61	2.40%	1.07%	-13.69%	-1.54%
Inv. grade bonds	2,935.73	3.57%	2.50%	-16.68%	-1.04%
High yield bonds	2,176.38	1.08%	3.71%	-11.58%	5.28%
Leveraged Loans	3,278.43	1.16%	2.20%	-1.12%	5.20%

Alternatives (total return index)		MTD	QTD	YTD	2021
FTSE NAREIT	21,969.51	3.01%	6.49%	-23.25%	41.30%
REIT Index					
GS Commodity Index	618.85	-2.83%	1.83%	10.28%	37.05%
Alerian MLP Index	1,537.33	-0.66%	13.56%	35.02%	40.17%
HFRX Global*	1,362.61	-0.29%	-0.22%	-4.77%	3.65%

\*1-day lag

Last week's equity returns



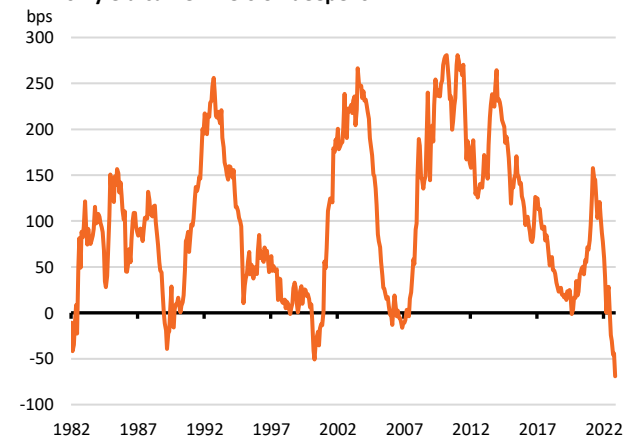
Commodities		MTD	QTD	YTD	2021
WTI Crude	\$80.08	-7.45%	0.74%	6.48%	55.01%
Brent Crude	\$87.62	-7.60%	-0.39%	12.65%	50.15%
Natural Gas	\$6.30	-0.82%	-6.84%	68.98%	46.91%
Gold	\$1,754	6.93%	5.53%	-4.06%	-3.51%

Currency		MTD	QTD	YTD	2021
Dollar Index (DXY)	106.93	-4.12%	-4.63%	11.77%	6.37%
USDCNY	7.12	-2.54%	0.05%	12.02%	-2.62%
Bitcoin	16,637	-18.47%	-14.35%	-64.09%	59.79%

Spreads		MTD	QTD	YTD	2021
Inv. grade bonds	135 bps	-23 bps	-24 bps	43 bps	-4 bps
High yield bonds	450 bps	-14 bps	-102 bps	167 bps	-77 bps
Leveraged loans	555 bps	-8 bps	-14 bps	144 bps	-32 bps
Emerging markets	374 bps	-40 bps	-31 bps	77 bps	16 bps

Interest rates		MTD	QTD	YTD	2021
Fed Funds Target	3.875%	3.875%	3.875%	0.125%	0.125%
SOFR	0.01%	0 bps	0 bps	-6 bps	-2 bps
3-month LIBOR*	0.15%	-3 bps	-4 bps	-9 bps	-3 bps
2-year Treasury	0.15%	-1 bps	-1 bps	3 bps	61 bps
10-year Treasury	1.62%	0 bps	-12 bps	71 bps	60 bps
30-year Treasury	2.32%	2 bps	-9 bps	67 bps	26 bps
Barclays U.S. Agg	1.53%	2 bps	-7 bps	41 bps	63 bps
Inv. grade bonds	2.16%	-2 bps	-12 bps	42 bps	59 bps
High yield bonds	4.18%	19 bps	-5 bps	0 bps	3 bps

2Y-10Y yield curve inversion deepens



Source: Bloomberg Finance, L.P., as of 1:00pm on 11/18/2022.

## 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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