

**Weekly Update – November 7, 2022**

Market Returns Ending 11/4/2022			
Category	1 Week	MTD	YTD
<b>US</b>			
Large Cap	-3.3%	5.3%	-19.8%
Mid Cap Growth	-3.4%	4.5%	-28.3%
Mid Cap Value	-1.3%	8.4%	-13.6%
Small Cap	-2.5%	8.2%	-19.0%
<b>International</b>			
Developed	-1.0%	4.2%	-23.6%
Emerging	1.8%	-1.6%	-28.1%
<b>Bonds</b>			
Aggregate	-0.7%	-1.6%	-16.0%
Treasuries	-0.7%	-1.8%	-14.6%
High Yield	-1.3%	1.7%	-13.3%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	5.0	5.8	6.7
Mid	4.1	4.4	5.0
Small	3.9	3.9	4.0
	YTD		
	Value	Core	Growth
Large	-12.4	-20.3	-27.2
Mid	-16.5	-21.0	-29.0
Small	-16.0	-21.3	-26.7

*Source: Bloomberg*

**Key Events: The Federal Reserve slammed the door on the market’s optimism**

Following the Fed’s announced rate hike, Fed Governor Powell slammed the door on the market’s hopes for a ‘pivot’ to slower rate hikes, promising to continue raising rates until inflation is under control.

The week saw mixed data on the employment front: October employment gains, as reported by the labor department, were better than expected. During the week, however, several companies announced major layoffs, including Twitter (50% of workforce), Lyft (13%), Stripe (14%), and Opendoor (18%). This follows October layoffs from Zillow, Phillips, GE, and Peloton (their fourth round of layoffs in 2022). The Federal Reserve may be getting the slowdown they desire.

**Market Review: Readjusting to the Fed’s promise**

The market did not like the hawkish tone of the Fed Governor’s speech. The S&P lost 3.3% on the week, although mid and small sized companies lost less. Losses were concentrated in the US stock markets, as reports that China may ease Covid lockdowns drove emerging markets higher.

Bonds lost modest amounts throughout the week as investors adjusted to the likelihood of a higher stopping point for Federal Reserve rate hikes and higher likelihood of recession.

**Outlook: Election, Inflation, and more volatility**

The Fed made it clear they are not done with the inflation fight. We are likely to experience more volatility while policy is uncertain, and

the market will parse each piece of economic data.

In the chart below we show the S&P 500 for the six months leading up to the mid-terms and the year following. The instances where the incumbent president lost control of Congress are highlighted in blue, and 2022 is in orange. There does not seem to be a significant difference in returns based on the mid-terms, but we highlight that the third year of the presidential cycle is often the best year. Maintain discipline on election night, just like every other night!



# S&P 500 Before and After Midterms Since 1930

## Presidential Party Loses Control of Congress



Source: Bloomberg, OneAscent Investment Solutions

### Navigator Outlook: November 2022

#### VALUATION

- Stocks and bonds have both become more attractive
- Stocks are cheaper than bonds
- US large growth stocks are still more expensive than value, small and international stocks.
- Investment grade and high yield bonds have become more attractive as rates have increased

#### ECONOMY

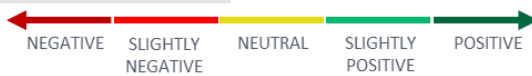
- The Federal Reserve raised rates by 75 basis points on November 2 and affirmed a steadfast commitment to the inflation fight
- Employment strong, but layoff announcements are beginning to increase
- Margin pressures are causing earnings to slow

#### SENTIMENT

- Investor sentiment has recovered from lows seen in October.
- The University of Michigan and Conference Board surveys of Consumer Sentiment remain low.
- While sentiment has recovered from historically low consumer and investor readings sentiment remains slightly positive.

#### TECHNICAL

- Short term technical indicators supported October's strength but are less positive after the market's recovery
- Longer-term measures are trending in a positive direction, with a few exceptions.
- Markets may be developing a new positive trend, although near-term volatility is likely



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