OneAscent INVESTMENTS

Weekly Update – December 5, 2022

Market Returns Ending 12/2/2022			
Category	1 Week	MTD	YTD
US			
Large Cap	1.2%	-0.2%	-13.3%
Mid Cap Growth	2.1%	0.6%	-21.6%
Mid Cap Value	0.9%	0.0%	-7.3%
Small Cap	1.3%	0.3%	-14.6%
International			
Developed	1.7%	2.7%	-11.7%
Emerging	4.0%	0.6%	-18.2%
Bonds			
Aggregate	1.2%	1.0%	-11.7%
Treasuries	1.3%	0.9%	-11.2%
High Yield	0.9%	0.9%	-9.9%

US Equity Style Returns

Weekly

	Value	Core	Growth
Large	0.8	1.3	1.8
Mid	0.9	1.3	2.1
Small	1.0	1.3	1.6

YTD

	Value	Core	Growth
Large	-3.8	-14.3	-23.4
Mid	-7.3	-12.4	-21.6
Small	-8.4	-14.6	-20.9

Source: Bloomberg

Key Events: The economy maintains strength while inflation moderates. The Fed plans to slow rate hikes

Several significant economic news items closed out November:

Third quarter GDP growth increased 2.9%, up from the first estimate of 2.6%. At the same time, inflation pressures eased slightly as October's Core PCE slowed more than expected.

Fed Governor Powell struck a more moderate note in a Wednesday speech. The market seized on his dovish comments about slowing pace of rate hikes, despite indications from Mr. Powell that rates are still likely to remain higher for longer.

Market Review: Markets look to the Fed for direction

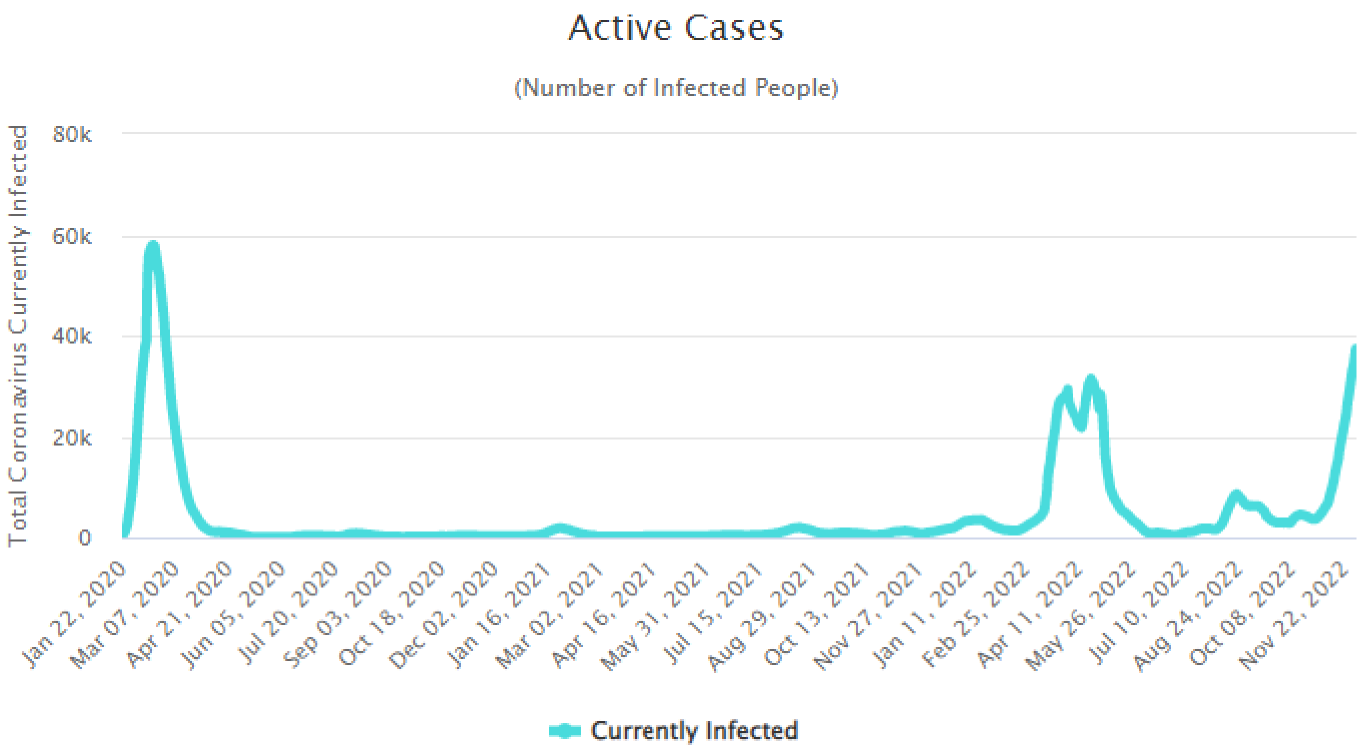
US markets reacted positively to Governor Powell's speech, finishing off a strong month with modest gains. The S&P 500 finished the week up 1.2%, while international stocks posted stronger gains, benefitting from a weakening dollar and hopes that China will loosen its strict Covid-19 lockdown policies. These gains occurred despite a spike in Chinese Covid cases, as can be seen in this week's chart. Emerging markets gained 4% for the week.

The broad bond market gained over 1% for the week, a positive reaction to the dovish rate hike outlook.

Outlook: Santa Claus rally?

As we move into December, investors begin to think about the holidays and look towards the new year. The markets often provide a "Santa Claus rally"; according to the Wall Street Journal the S&P 500 has risen 73% of all Decembers since 1928 and the average gain has been 1.4%. The fourth quarter has already given us strong stock market returns, bouncing solidly off of the October lows, so we may not expect such strong returns this year. Additionally, despite the market's positive reaction to messaging from the Federal Reserve, Governor Powell has reiterated the Fed's commitment to fighting inflation. This causes us to temper our expectations of a year-end rally. Given a high level of uncertainty, we remain disciplined and diversified.

Active Cases in China



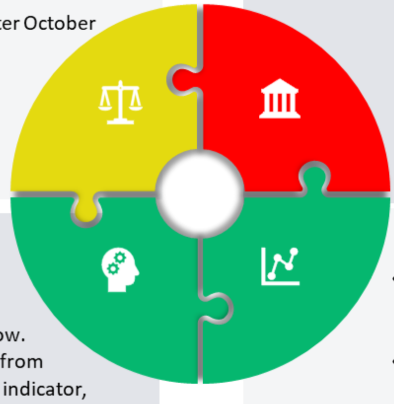
Source: Worldometer [China COVID - Coronavirus Statistics - Worldometer (worldometers.info)]

VALUATION

- Stocks and bonds both appear less attractive after October and November's strong returns.
- Stocks are cheaper than bonds.
- US large cap stocks are slightly more expensive than their long-term averages.
- Investment grade and high yield bonds appear attractive.

ECONOMY

- The Federal Reserve indicated rate hikes may slow, but the terminal (ending) rate, is likely to be higher and stay high for longer.
- Employment remains strong with some weakness in retail and average hours worked.
- Margin pressures are causing analysts to cut earnings estimates for Q4 and 2023.



SENTIMENT

- Investor sentiment remains pessimistic.
- The University of Michigan and Conference Board surveys of Consumer Sentiment remain low.
- Consumer sentiment measures have recovered from their lows, and investor sentiment, a contrarian indicator, remains negative. These factors render Sentiment positive overall.

TECHNICAL

- Short-term technical indicators supported October and November's strength but are less positive after the recovery.
- Some long-term measures are positive, such as the strong bounce off the long- term moving average that was tested in October.
- Near-term volatility is likely, but the typical "Santa Clause" rally appears to be unfolding.

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