

Weekly Update – January 16, 2023

Market Returns Ending 1/13/2023			
Category	1 Week	YTD	1 Year
US			
Large Cap	2.7%	4.2%	-12.8%
Mid Cap Growth	4.3%	5.3%	-15.2%
Mid Cap Value	2.9%	5.8%	-7.0%
Small Cap	5.3%	7.2%	-11.4%
International			
Developed	3.3%	6.1%	-9.6%
Emerging	3.0%	6.5%	-16.9%
Bonds			
Aggregate	1.2%	3.1%	-9.1%
Treasuries	1.0%	2.6%	-9.0%
High Yield	1.5%	3.7%	-7.3%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	1.9	2.9	4.0
Mid	2.9	3.4	4.3
Small	4.5	5.3	6.0
	YTD		
	Value	Core	Growth
Large	-3.4	-15.6	-26.0
Mid	-6.9	-12.7	-22.8
Small	-8.6	-14.8	-20.9

Source: Bloomberg

Key Events: Banks are worried, but the stock market isn't

Several large banks reported earnings this week; modest revenue growth and a subdued economic outlook, along with increased reserves for loan losses were all worse than analysts expected.

Meanwhile, the consumer got good news - prices rose at their slowest pace of 2022, although Fed officials stuck to their guns, reaffirming continued rate hikes.

Market Review: A strong start to the year.

The new year has brought strong returns for the first couple of weeks. The S&P 500 finished the week up 2.7%, bringing it to 4.2% YTD. Most markets joined the new year's party; small caps and international stocks outperformed the US again, and bonds turned in positive returns as well.

Outlook: Disconnect between the market and the Fed remains

While there remains a disconnect between investors and the Fed regarding the path of interest rates, it is more in terms of timing than anything else. The Fed anticipates lowering rates in 2024 but the market thinks it will happen in 2023. This potential disappointment may bring about more volatility as the market reacts to every piece of data and Federal Reserve Governor speech.

We thought we would give you a game of "2023 outlook bingo"¹. Visual Capitalist scoured articles, reports, podcasts, and interviews for 2023 predictions and have provided the below chart. Note the center prediction: "Global recession risk is high". We won't make any predictions except to say that when everyone thinks something will happen (the 'for certain' 2023 recession), it's already priced in.



2023 Predictions

We analyzed 500+ articles, reports, podcasts, and interviews to create this big picture look at what experts predict for the coming year.

Categories



Economy



Technology



Markets



Geopolitics



Everything Else

Experts believe that...

More dots = more predictions

<p>Regulators will clamp down on TikTok and other tech companies</p>	<p>Energy will remain expensive</p>	<p>Broad equity indices will rise ...but a rising tide won't lift all boats</p>	<p>Google's stranglehold on search will loosen</p>	<p>European unity will be tested as individual economies face headwinds</p>
<p>Value will trump hypergrowth</p>	<p>China will maintain its aggressive stance, but... No Taiwan invasion</p>	<p>Artificial intelligence will pop up everywhere</p>	<p>China's economy will bounce back after reopening</p>	<p>The U.S. dollar surge has come to an end</p>
<p>The outlook is positive for emerging markets and their currencies especially commodities exporters</p>	<p>Bonds are back, baby!</p>	<p>Global recession risk is high ...but the U.S. may narrowly avoid it</p>	<p>The Russia-Ukraine War will not end in 2023</p>	<p>The crypto winter will continue</p>
<p>Work culture will continue to bend towards flexibility</p>	<p>Tension will grow between citizens and governments particularly in authoritarian countries</p>	<p>Following Elon, Silicon Valley will slash headcount and costs</p>	<p>Education will face disruption from various angles</p>	<p>Real global GDP growth will be in the 1.5% to 2% range with high variance between nations</p>
<p>Interest rates will peak in 2023</p>	<p>India will have a strong year</p>	<p>Inflation will begin to cool off ...but will remain well above target levels</p>	<p>More big retail brands will launch recycling programs</p>	<p>More manufacturing will shift away from China</p>

Source: The Global Forecast Series predictions database, which includes 500+ predictions from IMF, Goldman Sachs, Deloitte, Credit Suisse, Atlantic Council, IHS Market, Reuters, Forrester, EIU, Bloomberg, Economist, Fish Solutions, Wells Fargo, LinkedIn, Fortune, Gartner, Forbes, Barrons, Vanguard, Morgan Stanley, U.S.A., Reuters, All-in Podcast, CNBC, World Bank, RANE, Exponential View, UBS, Oxford Economics, HBR, CBRE, Wood Mackenzie, WSJ, Nasdaq, Eurasia Group, McKinsey, Council on Foreign Relations, Loup, Stifel, Blackrock, Radical Ventures, and many more.

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Navigator Outlook: January 2023

VALUATION

- Stocks and bonds both appear moderately attractive after December's sluggish returns.
- Bonds - particularly high-quality bonds - appear as attractive as they have been since the GFC
- US large cap stocks are slightly more expensive than their long-term averages.

ECONOMY

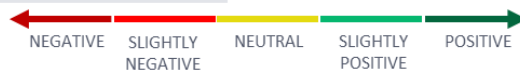
- The Federal Reserve indicated rate hikes may slow, but the terminal (ending) rate, is likely to be higher and stay high for longer.
- Manufacturing indicators have dipped to levels indicating an economic contraction.
- Margin pressures are causing analysts to cut earnings estimates for 2023.

SENTIMENT

- Bearish investor sentiment was above average for almost all 2022 and remains high.
- The University of Michigan and Conference Board surveys of Consumer Sentiment have recovered from their recent lows.
- Negative investor sentiment paired with low but recovering consumer sentiment measures render overall view of Sentiment as positive.

TECHNICAL

- Most short-term technical indicators are not giving strong signals one way or another
- The extremely bearish level of Put-Call ratio suggesting potential short-covering gains.
- 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 to continue.



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¹ Source: [Prediction Consensus: What the Experts See Coming in 2023 \(visualcapitalist.com\)](https://www.visualcapitalist.com/prediction-consensus-what-the-experts-see-coming-in-2023/)