

## Weekly Update – January 30, 2023

Market Returns Ending 1/27/2023			
Category	1 Week	YTD	1 Year
<b>US</b>			
Large Cap	2.5%	6.1%	-4.4%
Mid Cap Growth	2.8%	8.2%	-2.4%
Mid Cap Value	2.5%	7.2%	1.8%
Small Cap	2.4%	8.6%	0.4%
<b>International</b>			
Developed	1.1%	8.3%	-1.2%
Emerging	1.6%	10.1%	-8.9%
<b>Bonds</b>			
Aggregate	0.1%	3.0%	-8.4%
High Yield	0.4%	3.9%	-5.4%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	1.8	2.6	3.4
Mid	2.5	2.6	2.8
Small	2.2	2.4	2.5
	YTD		
	Value	Core	Growth
Large	4.8	6.5	8.3
Mid	7.2	7.6	8.2
Small	8.0	8.6	9.1

*Source: Bloomberg*

### Key Events: A solid finish, an uncertain future

2.9% Fourth quarter '22 GDP growth beat estimates.

The future is murkier as a softening economy forewarns the recession that is now a Wall Street consensus expectation.

- Earnings slowdown: with 30% reporting, fewer companies are beating estimates than in any quarter since 3Q 2020.<sup>i</sup>
- The Fed's preferred inflation measure is slowing. Core PCE rose 4.4% in December, still above the Fed's 2% goal.<sup>ii</sup>

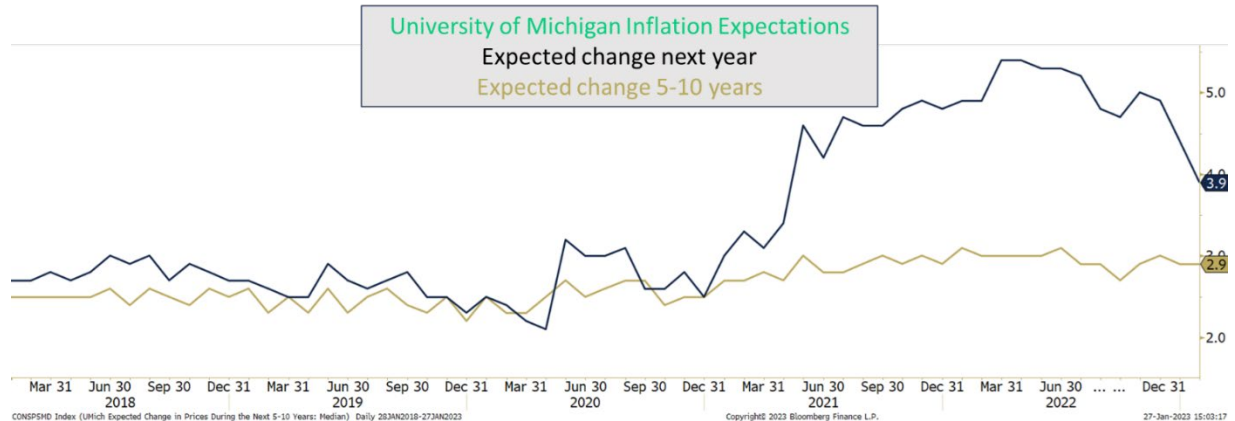
### Market Review: Mediocre earnings fail to derail the rally

Markets returned to winning this week despite mediocre earnings and prevalence of layoff announcements. The S&P 500 gained 2.5%, bringing the YTD gain to 6.1%, but non-US markets lagged this week., Bonds finished slightly positive, adding to strong YTD returns.

### Outlook: Egg-flation, but not the rest of the bird – or the rest of the economy.

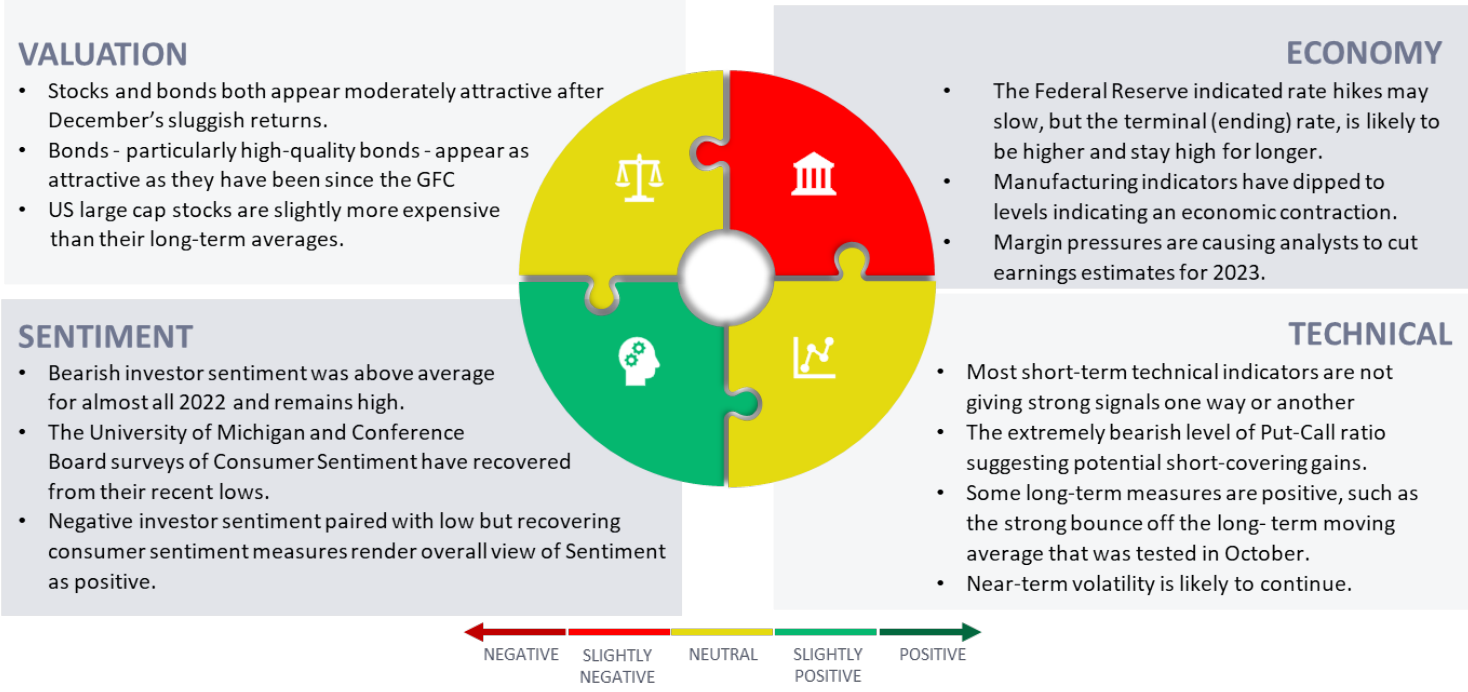
We have seen stories about excessive egg price inflation caused by Avian flu. This strain of avian flu, however, does not affect broiler chickens, keeping "egg-flation" narrow. 🐔

The narrower inflation is, the quicker it generally resolves. We see this dynamic in the current inflation data. As shown in the chart below,<sup>iii</sup> long-term inflation expectations remain steady while short-term expectations (which tend to create a self-fulfilling prophecy) are decreasing sharply. Softer economic and inflation data may cause the Fed to soften their rhetoric.



## Navigator Outlook: January 2023





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<sup>i</sup> Source: Factset  
<sup>ii</sup> Source: Bureau of Economic Analysis  
<sup>iii</sup> Source: University of Michigan