Weekly Update – February 27, 2023

Market Returns Ending 2/24/2023			
Category	1 Week	YTD	1 Year
US			
Large Cap	-2.7%	3.7%	-8.0%
Mid Cap Growth	-3.1%	7.3%	-8.4%
Mid Cap Value	-2.6%	4.7%	-3.7%
Small Cap	-2.9%	7.5%	-6.1%
International			
Developed	-2.4%	4.9%	-3.4%
Emerging	-2.7%	1.7%	-14.3%
Bonds			
Aggregate	-0.9%	0.2%	-9.2%
High Yield	-0.2%	2.0%	-5.7%

US Equity Style Returns

Weekly

	Value	Core	Growth
Large	-2.4	-2.7	-2.9
Mid	-2.6	-2.8	-3.1
Small	-3.0	-2.9	-2.7

YTD

	Value	Core	Growth
Large	1.8	4.1	6.6
Mid	4.7	5.6	7.3
Small	6.9	7.5	8.1

Source: Bloomberg

Key Events: A grim anniversary

On the anniversary of his invasion of Ukraine, Vladimir Putin blamed the west for the war and suspended participation in the START nuclear arms reduction agreement.

US economic data took a sour turn this week: 4Q GDP growth was revised down slightly while core PCE inflation (the Fed's preferred measure) came in above expectations.

Minutes of the Fed's January meeting confirmed officials anticipate further rate hikes.

Market Review: Stocks react negatively

Stocks experienced their worst losses in 10 weeks, with most indices finishing with losses of 2% to 3%. Bonds declined for a second week as interest rates increased across the board, reflecting hawkish Fed rhetoric.

Consumer Discretionary stocks turned in the wors performance this week, reacting to the Fed's commitment to slowing growth and increasing unemployment to bring inflation down.

Outlook: Downside risks and signs of optimism

This week provided disappointments for bulls; the future may hold more downside as some short-term technical and sentiment indicators are flashing warning signs while market breadth is weakening alongside earnings and the economy.

There are some positive signs as well. While earnings for S&P 500 companies are down 4.8% (94% of the S&P 500 has reported)[i], revenues are still growing. If inflationary pressures relent, profit margins may recover. High yield spreads do not reflect fears of increased defaults.

While the market is likely to remain volatile, we urge investors to remain disciplined.

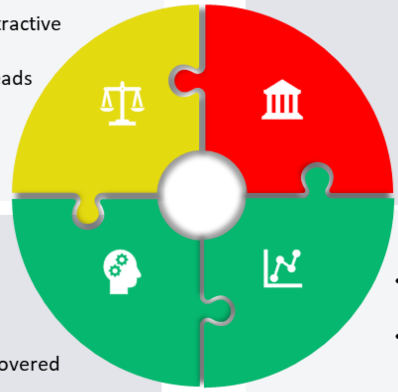
Navigator **Outlook: February 2023**

VALUATION

- Stock and bond valuations have become less attractive after January's strong returns.
- High-quality are attractive, while high yield spreads have decreased despite recession fears
- US large cap stocks are more expensive than International or Small Caps.

ECONOMY

- The Federal Reserve indicated rate hikes may slow as inflation is beginning to slow.
- 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

- Many short-term technical indicators appear extended after January's strong returns
- Medium and long-term measures such as market breadth have moved into positive, and many markets have broken the downtrends of 2022.
- Near-term volatility is likely to continue as the market discounts economic uncertainty.

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[i] Source" FactSet