

Weekly Update – March 13, 2023

Market Returns Ending 3/10/2023					
Category	1 Week	YTD	1 Year		
	<u>US</u>				
Large Cap	-4.5%	0.9%	-6.6%		
Mid Cap Growth	-6.3%	3.6%	-4.2%		
Mid Cap Value	-7.2%	-1.2%	-6.4%		
Small Cap	-8.0%	0.9%	-9.2%		
International					
Developed	-0.2%	6.6%	4.4%		
Emerging	-2.0%	1.4%	-7.9%		
	Cap Value -7.2% -1.2% -6.4% Small Cap -8.0% 0.9% -9.2% International Overlaped -0.2% 6.6% 4.4% Emerging -2.0% 1.4% -7.9% Bonds International International International				
Aggregate	0.0%	0.3%	-8.4%		
High Yield	-0.6%	2.2%	-3.9%		

US Equity Style Returns						
Weekly						
	Value	Core	Growth			
Large	-5.5	-4.9	-4.2			
Mid	-7.2	-6.9	-6.3			
Small	-8.3	-8.0	-7.8			
		<u>YTD</u>				
	Value	Core	Growth			
Large	-2.3	1.0	4.6			
Mid	-1.2	0.5	3.6			
Small	-0.7	0.9	2.4			
	Source	e: Bloomi	berg			

Key Events: The biggest bank failure since 2008

California state regulators put Silicon Valley Bank (SIVB) into receivership under care of the FDIC. The bank was the 16th largest US bankⁱ, as can be seen in the chart below, and its failure is the second largest in history.ⁱⁱ

The bank's failure caused the market to fear contagion; several market-based risk indicators spiked this week.ⁱⁱⁱ

Market Review: Stocks give back gains

Stocks followed up last week's loss with more losses. The S&P 500 had its worst week since September 2022. US Stocks have given back much of this year's gains.

The S&P 500 lost 4.5% for the week and holds on to a meager 0.9% gain for the year. The banking sector led to the downside this week as the KBW bank index lost 15.7% and is down 8% for the year. International stocks avoided the worst of the financials-driven losses; developed markets lost 0.2% and emerging markets lost 2%.

High grade bonds were flat, but high yield sold off a bit due to heightened recession fears.

Outlook: Signs of instability?

Concerns over market stability have taken hold. We would point out a couple of reassuring facts:

SIVB is, primarily, a commercial bank whose customers are concentrated in early-stage venture-backed technology companies. Their problems are not a broad representation of economic difficulty, but of cash flow struggles in venture capital, where funding has dried up.^{iv}

The FDIC stepped in quickly to take control of the situation and will be working alongside the Fed to avoid market impact.

Banks were suffering as higher interest rates hurt the value of their portfolios, and customers in the technology and crypto world were pulling money amid slumping business conditions. SIVB customer outflows fed on themselves resulting in a run on deposits that is not likely to spread to the broad banking system.

While the market is likely to remain volatile, we urge investors to remain disciplined. In all likelihood the market will absorb this blow to psychology, rewarding investors who stay the course.



Navigator Outlook: March2023

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VALUATION

- Stock valuations remain in the neutral zone after February's pullback amidst declining earnings.
- High-quality bonds are attractive, while high yield spreads have decreased despite recession fears
- US large cap stocks are more expensive than International or Small Caps.

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.

ECONOMY

- The Federal Reserve has indicated rates are likely to stay higher for longer.
- Manufacturing and services indicators have bounced significantly during February, indicating higher potential of a soft landing. Margin pressures are causing analysts to cut earnings estimates for 2023.

TECHNICAL

- Short-term technical indicators are neutral following February's pullback
- Medium and long-term such as breadth are mixed for most markets, while 2022 trendlines and moving averages have become levels of support as markets have traded above them
- Near-term volatility is likely to continue as the market discounts economic uncertainty.

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NEUTRAL

SLIGHTLY

POSITIVE

POSITIVE

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NEGATIVE

SLIGHTLY

NEGATIVE

ⁱ Source: moneycrashers <u>20 Largest Banks in the U.S. (moneycrashers.com)</u>

ⁱⁱ Source: Federal Reserve. Washington Mutual, in 2008, was the largest US bank failure

ⁱⁱⁱ Risk indicators such as the VIX, MOVE (a bond volatility indicator) and Gold all traded up during the week.

^{iv} Soure: Preqin, WSJ <u>Venture Fundraising Hits Nine-Year Low - WSJ</u>