Weekly Update –June 20, 2023

Market Returns Ending 6/16/2023			
Category	1 Week	YTD	1 Year
US			
Large Cap	2.6%	15.8%	22.3%
Mid Cap Growth	3.0%	14.4%	27.8%
Mid Cap Value	2.1%	3.8%	11.4%
Small Cap	0.6%	7.2%	15.4%
International			
Developed	2.4%	13.6%	21.2%
Emerging	2.3%	8.3%	5.0%
Bonds			
Aggregate	0.4%	2.4%	0.7%
High Yield	0.4%	5.3%	7.8%

US Equity Style Returns

Weekly

	Value	Core	Growth
Large	2.0	2.6	3.2
Mid	2.1	2.5	3.0
Small	0.3	0.6	0.8

YTD

	Value	Core	Growth
Large	4.3	15.6	27.6
Mid	3.8	7.5	14.4
Small	2.1	7.2	12.2

Source: Bloomberg

Key Events: The Pause that refreshes

The Fed paused its rate hike campaign, indicating that two more rate hikes are likely in 2023.

Secretary of State Antony Blinken traveled to China, a trip that was postponed by the alleged spy balloon incident in February. While expectations were low, Mr. Blinken sought to improve communications and avoid miscalculations.

Market Review: The bulls continue to run

Technology drove returns again; the sector was up over 4% for the week and 40% YTD, driving the S&P 500 to 2.6% returns for the week and 15.8% YTD. All stock groups - except small caps - came along for the ride.

Bond returns were positive as the Fed paused its rate hikes.

Outlook: what will stop the momentum?

Last week we discussed the fact that the market has lost some confidence in the Fed. The chart below shows why; the fed did not react to inflation quick enough and was forced to embark on the most severe rate hiking cycle in its history.

Now that they have paused their rate hikes the focus turns from the fight to tame inflation to the risk of recession caused by those hikes. Leading indicators suggest that recession risk is high and valuations – particularly in the large cap space – do not provide a significant margin of safety for the investor.

Therefore, OneAscent portfolios remain broadly diversified, invested across the spectrum of markets and investing styles.

Speed of Federal Reserve interest rate hikes[i]

Comparing the Speed of

U.S. Interest Rate Hikes

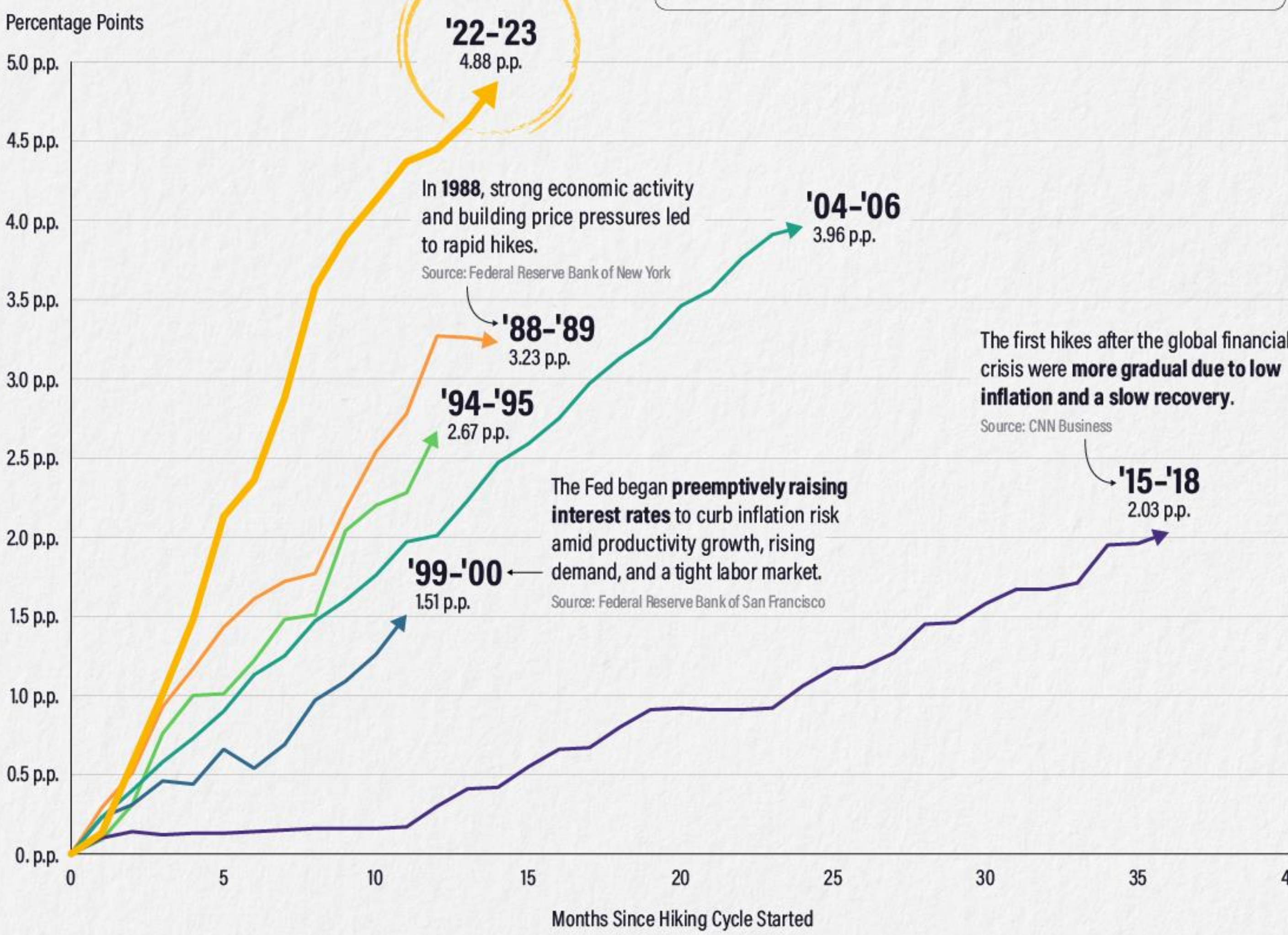
Rates have risen faster than any other time in recent history.

The Federal Reserve has aggressively raised rates to fight inflation. In just over a year, the effective federal funds rate has risen nearly **5 percentage points.**

How does this compare to other periods of interest rate hikes over the past 35 years?

i The effective federal funds rate is a weighted average of the rate banks use to lend money to each other overnight. It is determined by the market, but is influenced by the Federal Reserve's target.

Change in Effective Federal Funds Rate



Source: Federal Reserve. Chart inspired by Chartr. Month 0 is the month when the first interest rate hike in the cycle occurred. The 2022-2023 cycle reflects the change in the effective federal funds rate up to May 2023. Data is monthly based on daily averages apart from May 2023 data, which uses data as of May 4, 2023. We considered an interest rate hike cycle to be any time period when the Federal Reserve raised rates at two or more consecutive meetings.

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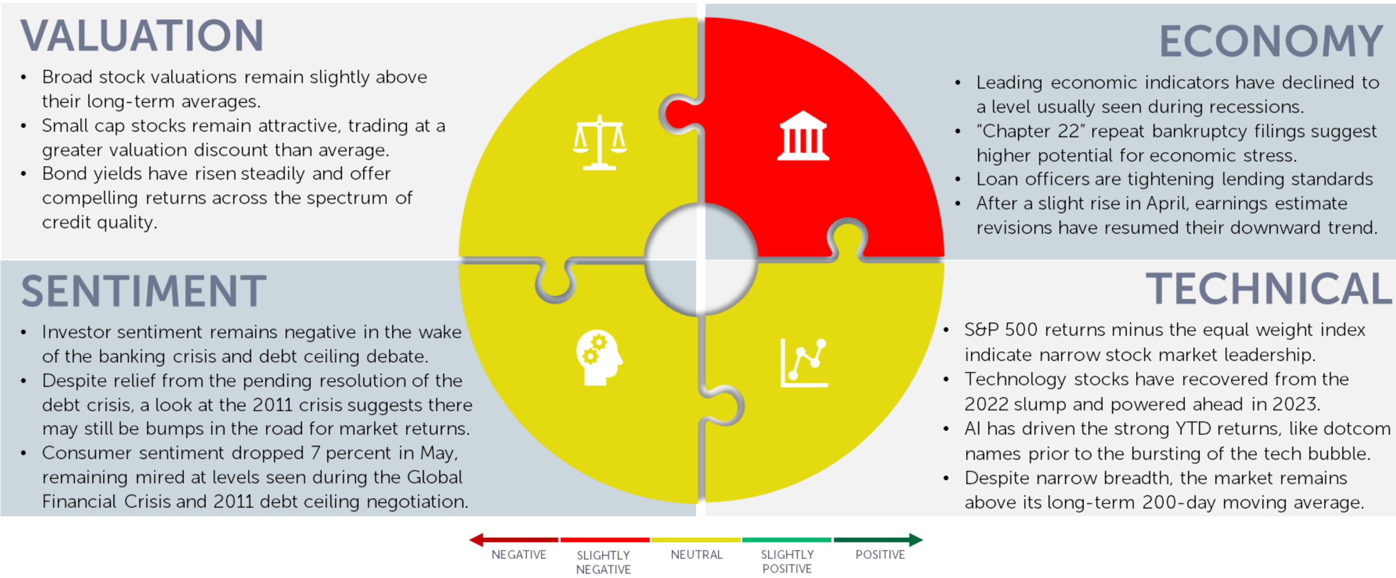
Navigator **Outlook: June 2023**



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[i] Source: Visual Capitalist Interest Rate Hikes: Comparing Their Speed from 1988-2023 (visualcapitalist.com)
[ii] Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggretate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield