

Weekly Market Recap

May 22, 2023

Index	Price	Price Returns	
	Close	Week	YTD
S&P 500 [®] Index	4,192	1.6%	9.2%
Dow Jones Industrial Average	33,427	0.4%	0.8%
NASDAQ	12,658	3.0%	20.9%
Russell 2000 [®] Index	1,774	1.9%	0.7%
MSCI EAFE Index	2,116	-0.5%	9.8%
Ten-Year Treasury Yield	3.70%	0.2%	-0.2%
Oil WTI ¹ (\$/bbl ²)	\$71.98	2.8%	-10.3%
Bonds ³	\$99.08	-1.3%	2.4%

¹WTI = West Texas Intermediate Oil. ²bbl = Barrel. ³Bonds are represented by the iShares U.S. Aggregate Bond ETF. Sources: Bloomberg L.P.; FactSet.

Last Week:

U.S. Equity Market

- U.S. large-cap equities (S&P 500 Index) rose +1.6% as investor sentiment benefitted from optimism around a debt ceiling resolution, positive economic data, the strength of technology stocks with artificial intelligence exposure, and subsiding fears around regional bank failures/issues. Earnings season provided investors with positive sentiment as companies benefitted from cost cutting and pricing power and dampened input costs. Initial jobless claims came in better than expected and was the latest labor market datapoint to show a slowdown in areas like job openings and wage growth, which supports the narrative for the Federal Reserve (Fed) to pause from hiking interest rates at its upcoming June 13-14 meeting. Additional economic data that supported a soft landing included the April retail sales, the National Association of Home Builders (NAHB) builder confidence, and housing starts. The ten-year yield rose 23 basis points (bps) to 3.70%. The dollar index rose, gold fell -1.9%, and WTI rose +2.8%.
- S&P 500 Index Sector Returns:
 - Technology (+4.2%) rose, led by software and semiconductor stocks associated with artificial intelligence.
 - Communication services (+3.1%) rose, led by social media and streaming stocks.
 - Consumer discretionary (+2.6%) outperformed, with strength from travel stocks and home improvement retailers.
 - Financials (+2.2%) rose, led by the banks on reduced concerns for smaller, regional banks.
 - Industrials (+1.2%) rose, led by airlines, aerospace and defense, and logistics stocks.
 - Energy (+0.9%) rose, as the price of WTI increased +2.8%.
 - Materials (+0.7%) rose, led by chemical companies.
 - Healthcare (-0.7%), consumer staples (-1.7%), and utilities (-4.4%) underperformed, as investors favored less-defensive stocks.
 - Real estate investment trusts (REITs) (-2.4%) fell, with weakness in commercial real estate and data centers.

- The chart below shows a comparison of the 2002 bear market bottom relative to the current 2022 bear market for the S&P 500 Index.

**Performance Before and After Market Bottom
2002 vs. 2022**

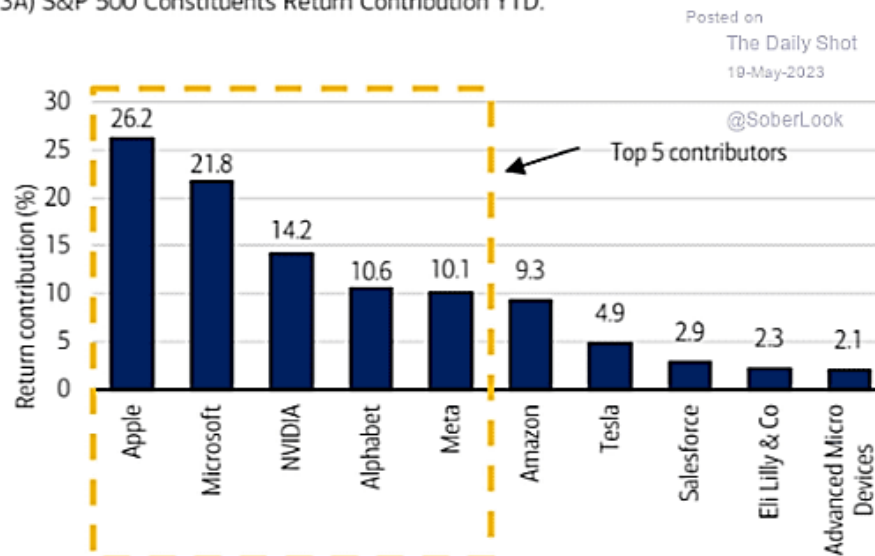


Days before and after bear market bottom (0)

Y-axis is performance indexed to 1 on day of market bottom. Sources: Edward Jones; The Daily Shot.

- The top five stocks in the S&P 500 Index contributed to 80% of the gains this year.

3A) S&P 500 Constituents Return Contribution YTD.



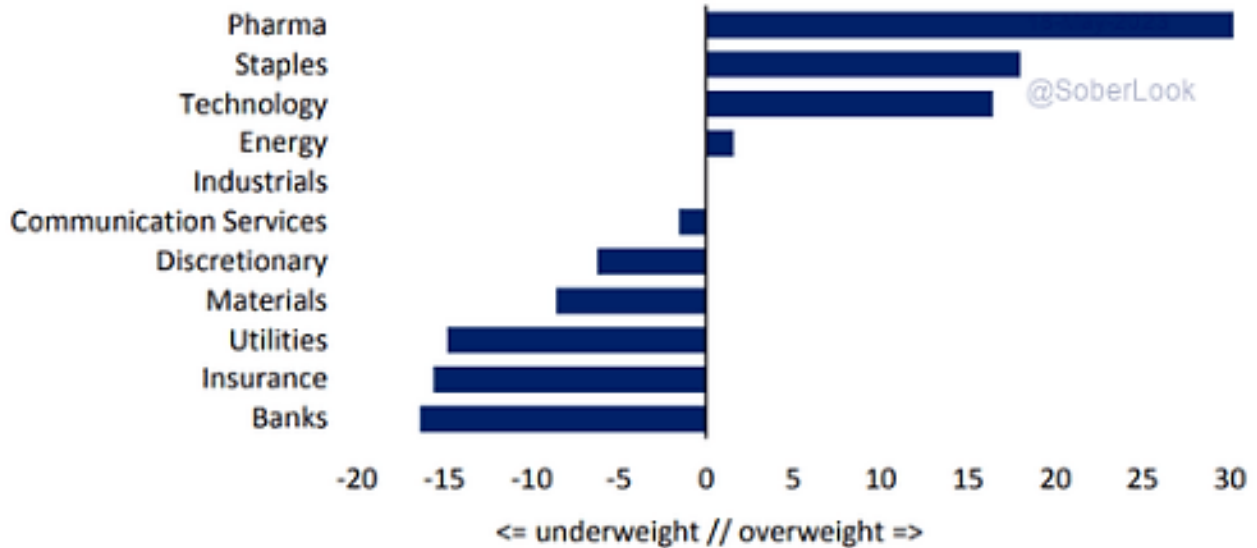
Sources: Merrill Lynch; The Daily Shot.

Past performance is not indicative of future results. Any type of investing involves risk and there are no guarantees that these methods will be successful. Please reference important disclosures on page 6.

- The Bank of America Global Fund Manager survey suggests that fund managers favor pharmaceutical, consumer staples, and technology equities.

Chart 47: Global Sector Sentiment

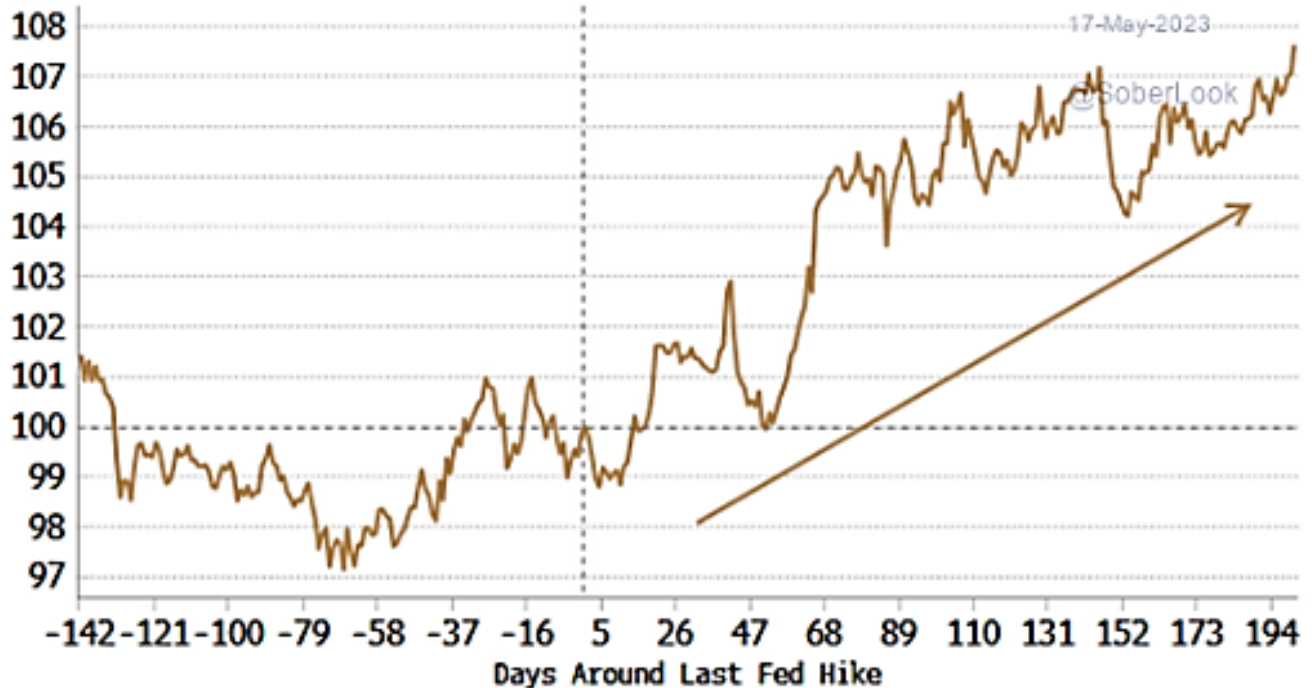
% saying overweight - % saying underweight



- Historically, U.S. stocks tend to outperform foreign equities after the last U.S. Fed rate hike.

US Equities Sail Higher After Last Fed Hike

— Average MSCI US vs MSCI World Ex-US Return

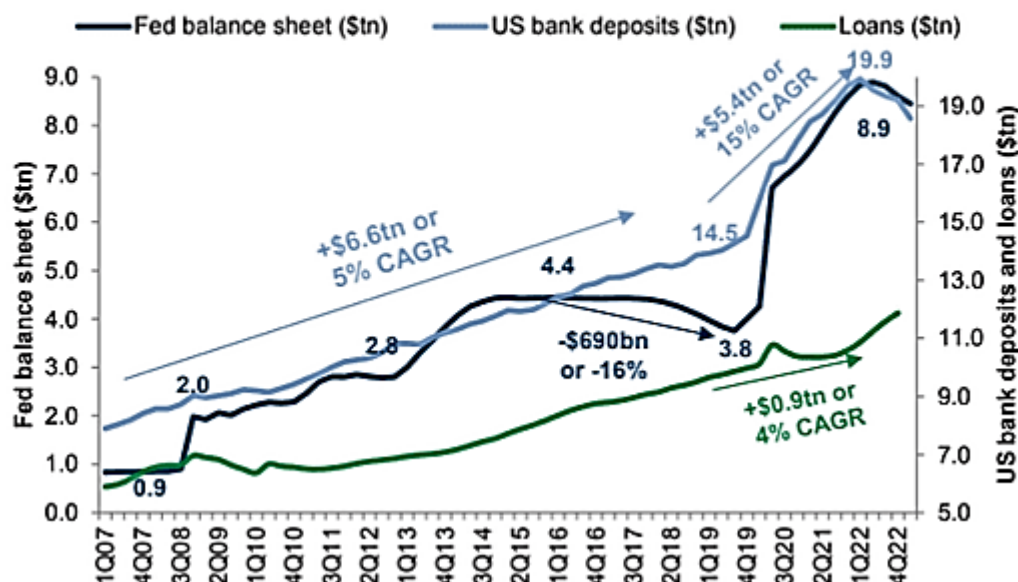


The start date of the chart is day 0 or the day of the last Fed rate hike. Sources: Simon White; Bloomberg L.P.; The Daily Shot.

Fixed Income Markets

- The chart below shows that as the Fed expanded its balance sheet from Q4 2008 through Q4 2022, U.S. bank deposits grew faster than bank loan growth. From Q4 2019 to Q4 2022, the Fed's balance sheet and U.S. bank deposits grew significantly faster than U.S. bank loan growth.

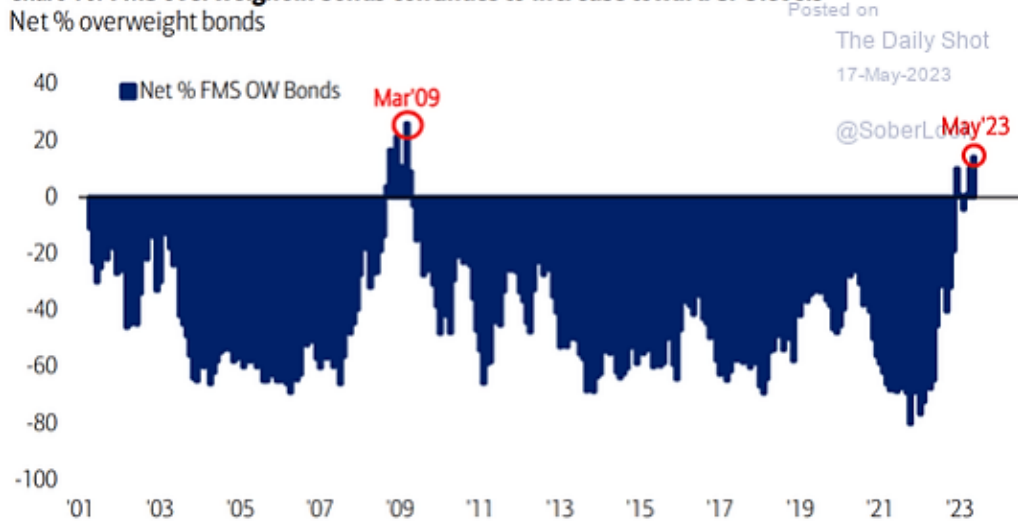
Exhibit 1: Given QE, deposits grew 10pp p.a. faster from 4Q19-4Q22 than from 1Q07-4Q19, and loan growth couldn't keep up...



pp: percentage points. p.a.: per annual year. CAGR: compound annual growth rate. Sources: Federal Reserve; FDIC; Goldman Sachs; Edward Jones.

- Fund managers are overweight bonds and are approaching peak overweight levels of 2009.

Chart 16: FMS overweight in bonds continues to increase toward GFC levels



Sources: Bank of America; The Daily Shot.

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U.S. Economic and Political News

- The Philadelphia Fed Manufacturing Index beat analyst expectations, although prices paid rose after falling to a three-year low in March.
- The N.Y. Empire State Index fell to the lowest level since April 2020.

International Markets and News

- European markets (STOXX 600 Index) rose +0.7% despite Eurozone industrial production declining -4.1% sequentially in March and -1.4% year-over-year.
 - The European Commission raised its forecasts for Eurozone economic growth this year and next. They predicted inflation would remain stubbornly high.
- The Chinese stock market (Shanghai Composite) rose +0.3% despite data showing industrial output, retail sales, and fixed asset investment grew at a weaker-than-expected pace in April from a year earlier.
 - The People's Bank of China (PBOC) injected 125B Chinese Yen (RMB) into the banking system via its one-year medium-term lending facility, which compares to the RMB 100B in maturing loans.
- Japanese equities (Nikkei 225 Index) rose +4.8% as sentiment benefitted from solid domestic earnings, yen weakness, and strong overseas buying of Japanese equities.

This Week:

- The volume of corporate earnings reports will be light this week.
- Economic data:
 - Monday: U.S. Treasury Auction;
 - Tuesday: Flash Manufacturing Purchasing Managers' Index (PMI), Flash Services PMI, New Home Sales, U.S. Treasury Auction;
 - Wednesday: Mortgage Bankers Association (MBA) Mortgage Purchase Applications, Federal Open Market Committee (FOMC) Minutes, U.S. Treasury Auction;
 - Thursday: Gross domestic product (GDP) Chain Price (first revision), GDP (first revision), Pending Home Sales, U.S. Treasury Auction;
 - Friday: Core Durable Orders, Core personal consumption expenditures (PCE), Durable Orders ex transport, Durable Orders, Personal Spending, Personal Income, Wholesale Inventories, Michigan Consumer Sentiment (Final).

As always, thank you very much for your interest in our thoughts and support of our services.

Whitney Stewart, CFA®
Executive Director

Griffith Jones, Jr.
Executive Director

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Performance is compared to an index, however, the volatility of an index varies greatly. Indices are unmanaged and investments cannot be made directly in an index.

The S&P 500® Index is a readily available, carefully constructed, market-value-weighted benchmark of common stock performance. Currently, the S&P 500 Composite includes 500 of the largest stocks (in terms of stock market value) in the United States and covers approximately 80% of available market capitalization.

The Russell 2000® Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000® Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000® is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set.

The Dow Jones Industrial Average (DJIA) is an index that tracks 30 large, publicly-owned blue chip companies trading on the New York Stock Exchange (NYSE) and the NASDAQ.

The NASDAQ Composite Index is the market capitalization-weighted index of over 2,500 common equities listed on the NASDAQ stock exchange. The types of securities in the index include American depository receipts, common stocks, real estate investment trusts (REITs) and tracking stocks, as well as limited partnership interests. The index includes all Nasdaq-listed stocks that are not derivatives, preferred shares, funds, exchange-traded funds (ETFs) or debenture securities.

The MSCI EAFE Index is an equity index which captures large and mid-cap representation across 21 Developed Markets countries around the world, excluding the U.S. and Canada. With 900 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the U.K.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

The Nikkei 225 is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange.

The Shanghai Stock Exchange Composite Index is a capitalization-weighted index. The index tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Technical Terms: **The compound annual growth rate (CAGR)** is the rate of return (RoR) that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span. **Gross domestic product (GDP)** is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period. As a broad measure of overall domestic production, it functions as a comprehensive scorecard of a given country's economic health. The **Philadelphia Federal Reserve Manufacturing Index** rates the relative level of general business conditions in Philadelphia. A level above zero on the index indicates improving conditions; below indicates worsening conditions. The data is compiled from a survey of about 250 manufacturers in the Philadelphia Federal Reserve district. The term **NY Empire State Index** refers to the result of a monthly survey of manufacturers in New York state. The survey is conducted by the Federal Reserve Bank of New York. The bank sends out the survey every month to business leaders who represent a wide swath of the manufacturing sector. The headline number for the index refers to the main index of the survey, which summarizes general business conditions in New York state. An estimated total of **personal consumption expenditures (PCEs)** is compiled by the U.S. government monthly as one way to measure and track changes in the prices of consumer goods over time. PCEs are household expenditures. PCEs as well as personal income statistics and the PCE Price Index are released monthly in the Bureau of Economic Analysis (BEA) Personal Income and Outlays report. **The Purchasing Managers' Index (PMI)** is an index of the prevailing direction of economic trends in the manufacturing and service sectors. It consists of a diffusion index that summarizes whether market conditions, as viewed by purchasing managers, are expanding, staying the same, or contracting. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors. (Technical definitions are sourced from Corporate Finance Institute.)

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