

Weekly Market Update



General Market News

- The Federal Reserve's (Fed's) policy rate is set to end the year at 4.5 percent. Throughout 2022, the central bank hiked rates 17 times (4.25 percent of increases). Although the path of interest rates in 2023 is uncertain, Bloomberg-surveyed economists expect to see another 0.5 percent in rate increases in the first quarter before levels stabilize through the second and third quarters. Surveyed economists have also indicated that they expect the Fed to cut interest rates in the fourth quarter of 2023.
- U.S. Treasury yields increased, with the 2-year rising 13 bps to 4.31 percent, the 5-year growing 21 bps to 3.84 percent, and the 10-and 30-year each climbing 22 bps to 3.71 percent and 3.77 percent, respectively.
- Global equities were mixed in the final full week of trading, which was light. The biggest news was the surprise adjustment by the Bank of Japan to tweak its bond yield controls. Japan is the largest buyer of U.S. Treasuries, and the adjustment saw yields move higher, causing value stocks to outperform growth stocks. Top-performing sectors were energy, utilities, and financials. Underperforming sectors included consumer discretionary, technology, and communication services.
- Home builder sentiment dropped more than expected in December, marking 12 consecutive months with declining home builder confidence.
- Housing starts and building permits declined during the month, which was expected due to the slowdown in new home construction this year.
- Existing home sales fell more than expected, marking 11 consecutive months with falling home sales due to high prices and mortgage rates.
- Consumer confidence improved more than expected, bringing the index to its highest level since April.
- Personal income and spending increased in November, which was an encouraging signal that consumers remained willing and able to spend.

Market Index Performance Data

EQUITIES

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-0.17	-5.66	-18.02	-17.30
Nasdaq Composite	-1.93	-8.41	-32.35	-32.38
DJIA	0.86	-3.93	-6.70	-5.70
MSCI EAFE	0.37	0.06	-14.50	-13.74
MSCI Emerging Markets	-0.24	-1.52	-20.33	-19.50
Russell 2000	-0.12	-6.57	-20.50	-20.33

Source: Bloomberg, as of December 27, 2022

FIXED INCOME

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	0.20	-12.44	-12.30
U.S. Treasury	0.04	-11.97	-11.88
U.S. Mortgages	0.37	-11.09	-11.00
Municipal Bond	0.55	-8.28	-8.24

Source: Bloomberg, as of December 27, 2022



What to Look Forward To

There are no major economic data releases scheduled for the holiday-shortened week.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent. Rev. 12/22.

Authored by the Investment Research team at Commonwealth Financial Network®