OneAscent
INVESTMENTS

Weekly Update – January 23, 2023

Market Returns Ending 1/20/2023

Category	1 Week	YTD	1 Year
US			
Large Cap	-0.6%	3.5%	-9.9%
Mid Cap Growth	0.0%	5.2%	-10.7%
Mid Cap Value	-1.2%	4.6%	-3.7%
Small Cap	-1.0%	6.1%	-6.4%
International			
Developed	-0.5%	6.5%	-7.6%
Emerging	-0.2%	7.5%	-15.6%
Bonds			
Aggregate	0.6%	3.4%	-8.2%
High Yield	-0.2%	3.7%	-6.8%

US Equity Style Returns

Weekly

	Value	Core	Growth
Large	-1.5	-0.6	0.4
Mid	-1.2	-0.8	0.0
Small	-1.1	-1.0	-1.0

YTD

	Value	Core	Growth
Large	2.9	3.8	4.8
Mid	4.6	4.8	5.2
Small	5.7	6.1	6.4

Source: Bloomberg

Key Events: The government is hitting its debt limit

The US bumped up against the debt limit this week. Congress created the first aggregate debt limit in 1939, and it became a political tool to influence government spending in 1953 under President Eisenhower. Congress has raised the limit routinely since then but has increasingly used the issue as a political weapon in the last quarter century.

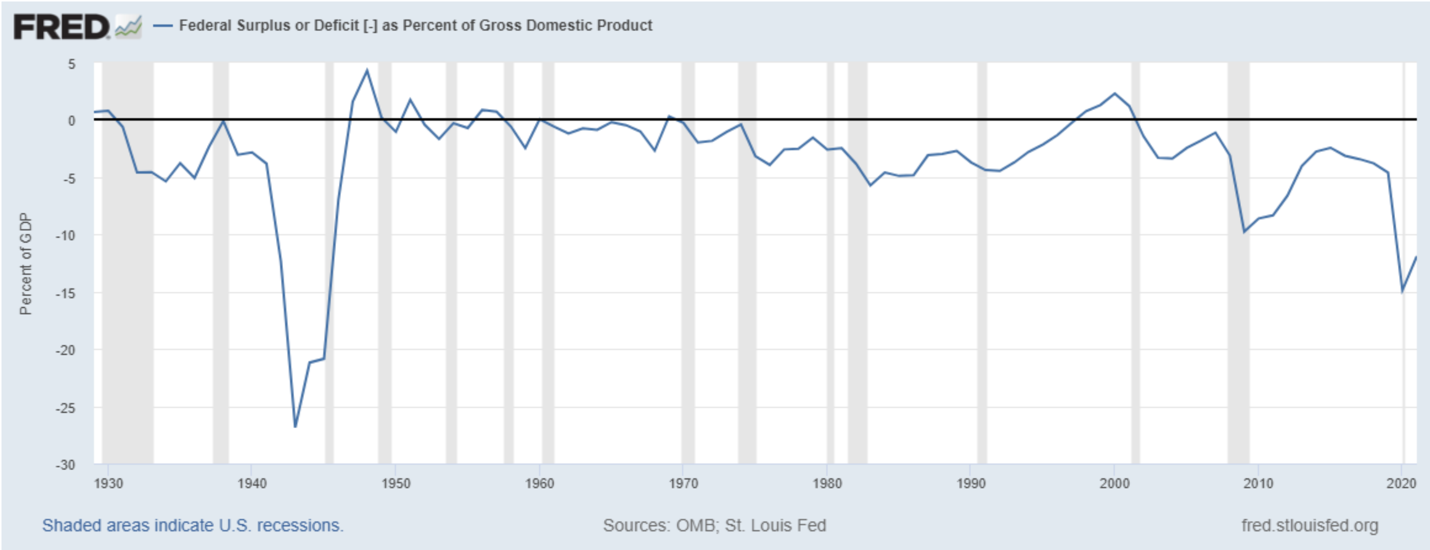
A look at the federal surplus/deficit as a percentage of GDP (in the chart below) highlights the issue. Deficits increased significantly during the global financial crisis and again during the pandemic; hitting the debt limit has highlighted the need to control spending. It remains to be seen how Congress and the White House will address the issue in a lasting way.

Market Review: A strong start stalls, recovering on Friday

The market provided strong returns for the first couple of weeks of 2023, but they stalled out this week - even after a strong upward move on Friday. The S&P 500 lost 0.6%, bringing the YTD gain to 3.5%. Most markets ended the week with small losses, but high-quality bonds performed well as economic data softened and recession risks remained at forefront of investors' minds.

Outlook: Earnings season = volatility

Markets are anticipating the earnings season while also digesting volatile economic data and Fed speeches. The Fed is delivering a consistent message that rates will remain high, but the market sees softer economic data as a way to escape that path. It seems likely that the market will react to any earnings that come in below expectations in a similar manner.



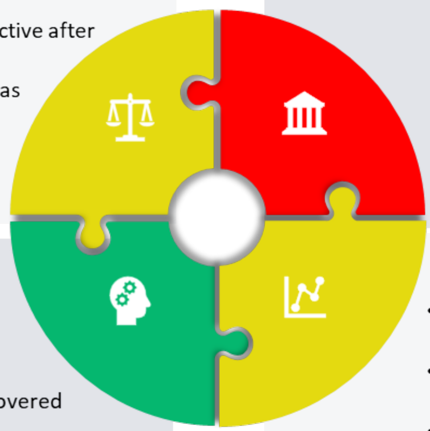
Navigator **Outlook: January 2023**

VALUATION

- Stocks and bonds both appear moderately attractive after December's sluggish returns.
- Bonds - particularly high-quality bonds - appear as attractive as they have been since the GFC
- US large cap stocks are slightly more expensive than their long-term averages.

ECONOMY

- The Federal Reserve indicated rate hikes may slow, but the terminal (ending) rate, is likely to be higher and stay high for longer.
- Manufacturing indicators have dipped to levels indicating an economic contraction.
- Margin pressures are causing analysts to cut earnings estimates for 2023.

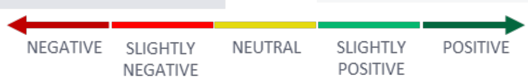


SENTIMENT

- 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

- Most short-term technical indicators are not giving strong signals one way or another
- The extremely bearish level of Put-Call ratio suggesting potential short-covering gains.
- Some long-term measures are positive, such as the strong bounce off the long- term moving average that was tested in October.
- Near-term volatility is likely to continue.



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