

Weekly Update – January 2, 2023

Market Returns Ending 12/30/2022			
Category	1 Week	MTD	YTD
US			
Large Cap	-0.1%	-5.8%	-18.1%
Mid Cap Growth	0.0%	-6.0%	-26.7%
Mid Cap Value	-0.1%	-5.1%	-12.1%
Small Cap	0.1%	-6.5%	-20.5%
International			
Developed	0.7%	0.7%	-13.4%
Emerging	0.3%	-1.4%	-19.8%
Bonds			
Aggregate	-0.4%	-0.2%	-12.8%
Treasuries	-0.5%	-0.4%	-12.4%
High Yield	-1.0%	-0.7%	-11.2%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	0.2	-0.1	-0.3
Mid	-0.1	-0.1	0.0
Small	0.0	0.1	0.1
	YTD		
	Value	Core	Growth
Large	-7.6	-19.1	-29.1
Mid	-12.1	-17.3	-26.7
Small	-14.5	-20.5	-26.4

Source: Bloomberg

Key Events: Russia escalated Ukraine attacks

Russia renewed its military offensive while Putin’s New Year’s address expressed increasingly hawkish rhetoric.

Revelers around the world rung in the new year with the least amount of COVID restrictions since the onset of the pandemic. The number of Chinese cases has spiked, however, leading the US to impose new restrictions on travelers from China.

Market Review: Santa brought a lump of coal...

While 2022 will be remembered for its volatility, the final week came and went in relative boredom - and without the hoped-for Santa Claus rally. The S&P 500 finished the week down slightly and most markets reported muted returns, capping off a forgettable year

Outlook: ...and CEOs are predicting another one

Cheaper stock valuations are key reasons for optimism looking into 2023. The corporate earnings supporting those valuations are crucial.

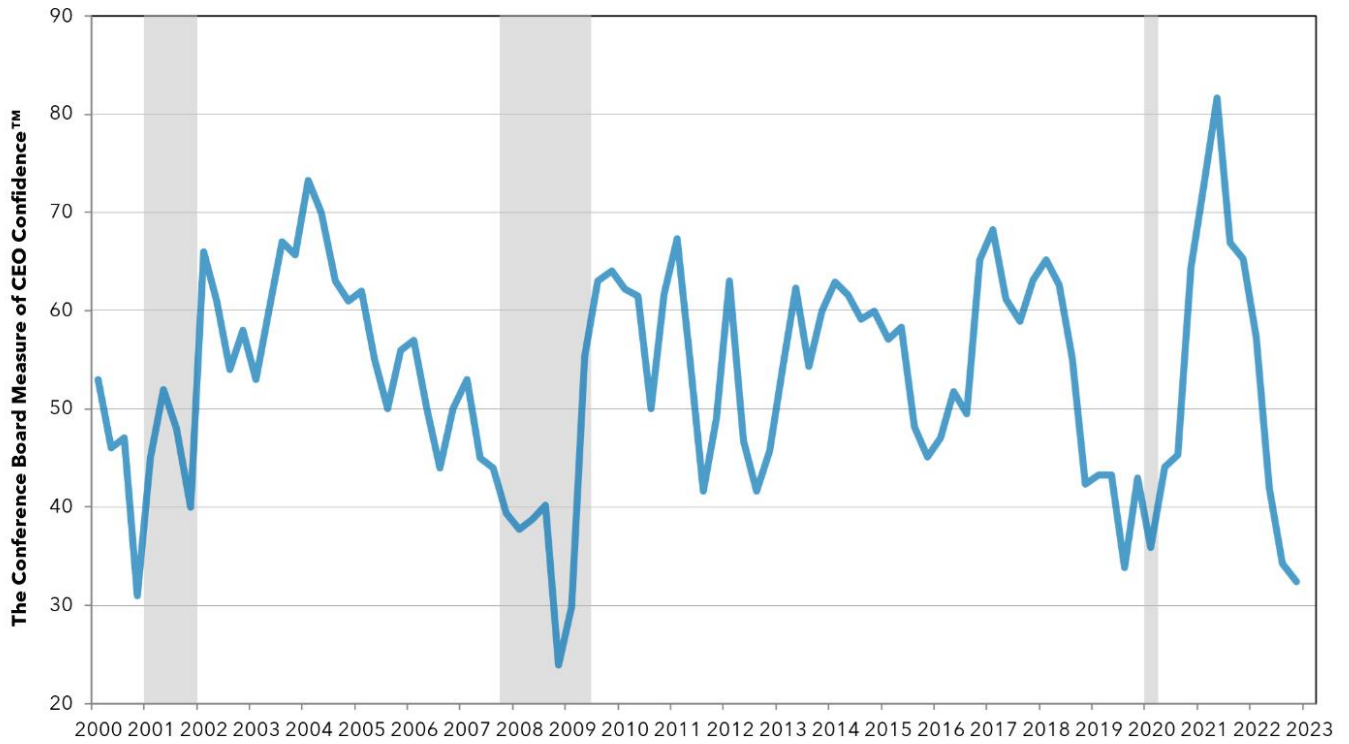
The chart belowⁱ illustrates that CEO confidence, which has cratered in recent months, has been a strong leading indicator of the trajectory of profits and the economy. Given concerns such as inflation and debt that affect the profit outlook, such low CEO confidence suggests a cautious outlook for stock returns.

While markets often recover after down years, this path is not assured in 2023. We will dig into our outlook and recommendations over the next couple of weeks. In the interim,

we encourage a long-term focus on your goals. Revisit your plan, if needed, but don’t get distracted by one piece of data or another.



CEO Confidence Deteriorated Further Heading Into Q4

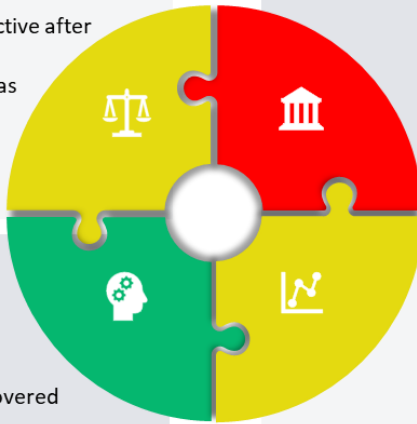


Note: Shaded areas indicate periods of recession.
Sources: The Conference Board; The Business Council; NBER

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

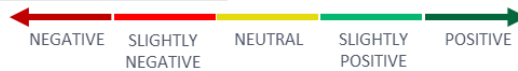
- The Federal Reserve indicated rate hikes may slow, but the terminal (ending) rate, is likely to be higher and stay high for longer.
- Manufacturing indicators have dipped to levels indicating an economic contraction.
- Margin pressures are causing analysts to cut earnings estimates for 2023.

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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ⁱ Source: The Conference Board [CEO Confidence \(conference-board.org\)](https://www.conference-board.org)