

Weekly Update – September 12, 2022

Market Returns Ending 9/9/2022			
Category	1 Week	QTD	YTD
<u>US</u>			
Large Cap	3.7%	7.8%	-13.7%
Mid Cap Growth	5.7%	13.0%	-22.0%
Mid Cap Value	4.3%	8.9%	-8.8%
Small Cap	4.1%	10.5%	-15.4%
<u>International</u>			
Developed	-1.2%	-2.0%	-20.8%
Emerging	-1.5%	-3.4%	-20.3%
<u>Bonds</u>			
Aggregate	-0.6%	-1.3%	-11.5%
Treasuries	-0.6%	-1.7%	-10.7%
High Yield	0.6%	3.9%	-10.8%

US Equity Style Returns			
	1 Week		
	Value	Core	Growth
Large	3.4	3.5	3.7
Mid	4.3	4.4	5.7
Small	3.0	4.1	4.2

	YTD		
	Value	Core	Growth
Large	-7.7	-15.1	-21.6
Mid	-8.8	-14.1	-22.0
Small	-11.4	-15.4	-20.9

Source: Bloomberg

Key Events: The dominant news this week was the passing of Queen Elizabeth II

While Americans may not have affection for the monarchy, the importance of the Queen's passing should not be minimized. While her 70 years as Sovereign coincided with a decline of the power of the British empire, she was viewed as a stabilizing force in the UK; stability which may diminish going forward. This sentiment is captured by the below cartoon by Clay Bennett, of the Chattanooga Free Press.

The multiple crises will not make King Charles' reign easy: inflation, an energy crisis and Brexit heighten the geopolitical risk he inherits along with the crown.

Queen Elizabeth II
1926-2022



Chattanooga Times Free Press Bennett

Market Review: The US stock market recovered from its summer swoon.

US stocks shrugged of downbeat news, including comments from Federal Reserve Bank President James Bullard reaffirming commitment to interest rate increases¹ and data showing 3Q GDP estimates continuing to decline².

Mid Cap growth stocks reversed the year's trend, leading the way with gains of almost 6% for the week. Notably, international lost

money amidst inflation, energy, and geopolitical stress.

Outlook: Volatility and earnings

As the market continues to digest the possibility of avoiding recession during the Fed's campaign to lower inflation, we also need to consider corporate earnings. We just finished the second quarter earnings season and a look at the numbers³ can draw a couple of conclusions: First, earnings growth for the second quarter is estimated to be 3.7%, the lowest growth rate since Q32020 (which was down 5.7%. Second, on June 30, estimates for that earnings in Q3 would grow 9.8%. Those estimates have declined to 3.7% estimated growth as of September 9. Projected profit margins for the third quarter are 12.3%, which is high but below the year-ago

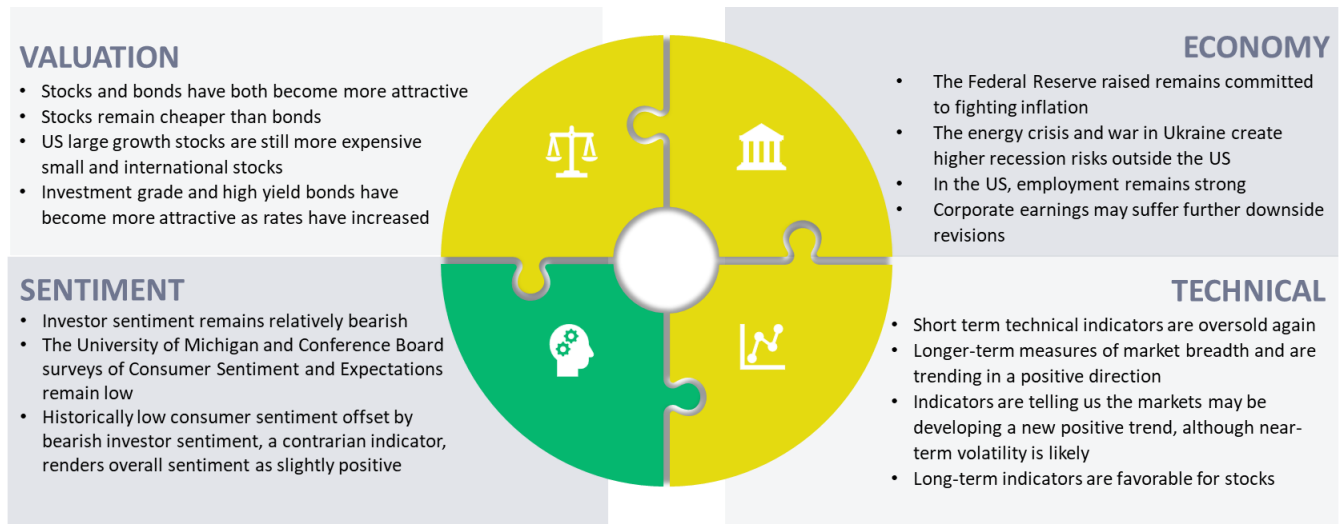


margin of 12.9%. We are closely watching profit margins as lower stock valuations are a key factor in a positive outlook; declining earnings would mitigate that optimism.

We continue to expect volatility in the markets and recommend that a fully diversified portfolio gives you the best chance to hit your target; maintain discipline to your plan and shun the temptation to act on emotion.

- 1) Source: Bloomberg
- 2) Source: Federal Reserve Bank of Atlanta GDP Now estimates
- 3) Source: Earnings data drawn from FactSet Earnings insight, September 9, 2022

Navigator Outlook: September 2022



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