

Weekly Update – August 14, 2023

Market Returns Ending 8/11/2023			
Category	1 Week	YTD	1 Year
US			
Large Cap	-0.3%	17.4%	7.9%
Mid Cap Growth	-1.0%	14.3%	4.0%
Mid Cap Value	-0.5%	7.0%	0.7%
Small Cap	-1.6%	10.3%	-1.0%
International			
Developed	-0.6%	12.3%	11.9%
Emerging	-1.9%	6.5%	1.6%
Bonds			
Aggregate	-0.6%	0.64%	-3.6%
High Yield	0.3%	6.6%	2.6%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	0.3	-0.4	-1.0
Mid	-0.5	-0.6	-1.0
Small	-1.0	-1.6	-2.2
	YTD		
	Value	Core	Growth
Large	7.1	17.3	28.1
Mid	7.0	9.9	14.3
Small	7.3	10.3	12.7

Source: Bloomberg

Key Events: Downgrade: USA ✓ Banks ✓ Consumer ☐

Following the downgrade of the USA to AA+, from AAA, Moody's downgraded 10 banks and promised more.

China's recovery appeared to stall as consumer prices slipped into deflation. Analysts say Chinese regulators have attempted to limit negative economic reporting.

Atlanta is bracing for chaos as a fourth indictment of Donald Trump is set to be unveiled.

Market review: An edgy earnings season

Stocks' reaction to the current earnings season reflected an edgy market; companies that beat estimates were rewarded less than normal while companies that missed were punished more than average.ⁱ

Both stocks and bonds were down slightly during a quiet summer week. Growth lost more money than value, and small caps fell more than large stocks.

Outlook: Checking in with the consumer

We have talked about three primary areas of concern:

- 1) Bank lending standards while companies are asking for fewer loans.ⁱⁱ
- 2) Leading economic indicators are consistent with recessionary periods.ⁱⁱⁱ
- 3) The inverted yield curve (short-term interest rates are higher than long-term rates) is also suggestive of a recession.^{iv}

This week we'll touch the ominous sign visible in the mortgage market. As can be seen below, average mortgage payments for new mortgages are more than 70% higher - \$2,600 vs \$1,500 per month – than in the months emerging from the pandemic. This is likely to put pressure on the consumer and the economy as a whole.

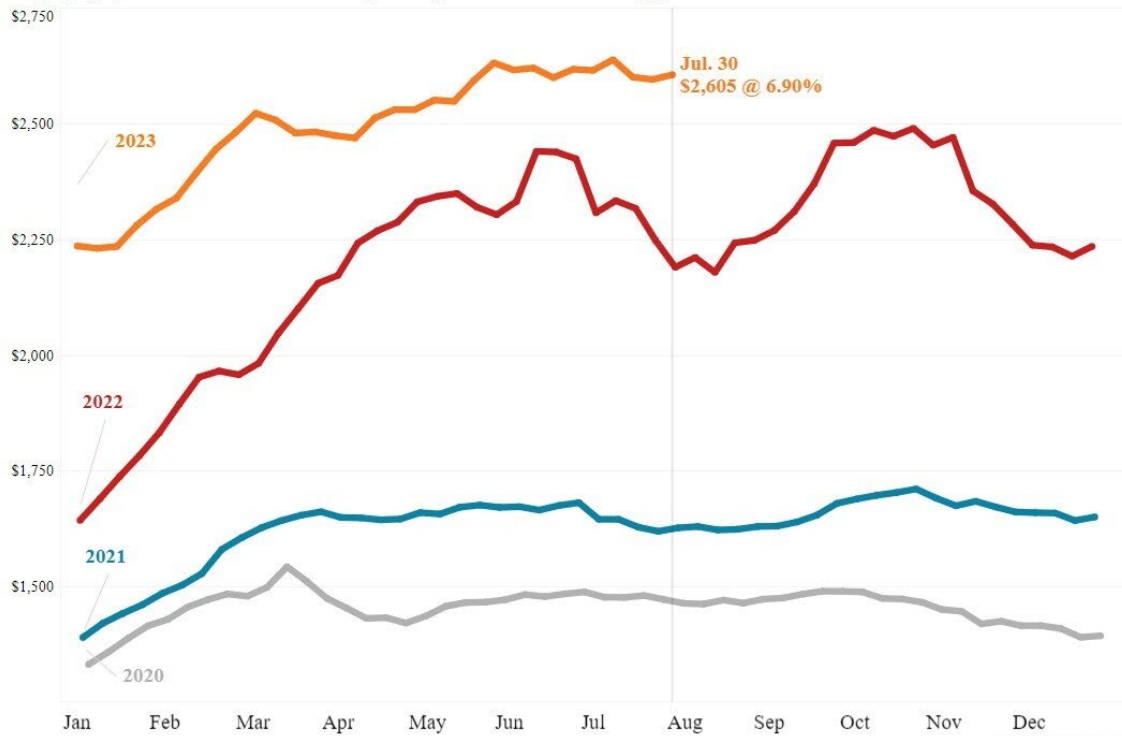
OneAscent portfolios remain fully invested in a broadly diversified portfolio, in areas where we find attractive value despite the clouds on the horizon.

Foreshadowing a weaker consumer^v



Homebuyer Housing Payments +19.0% Year Over Year

Mortgage payment on the 4-week rolling average of the median asking price



Source: Redfin analysis of MLS data, Freddie Mac Primary Mortgage Market Survey

REDFIN

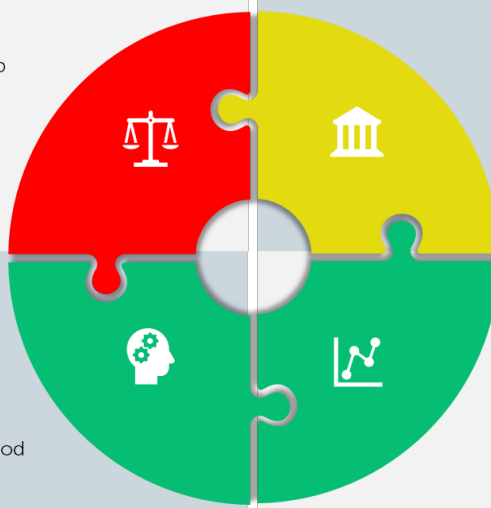
OneAscent Navigator Outlook: August 2023

VALUATION

- The S&P 500 remains expensive, but small cap and international stocks are more in-line with long-term averages
- Rising are pressuring margins and valuations.
- Higher quality bonds continue to remain attractive, while corporate spreads continue to shrink alongside recession probabilities.

SENTIMENT

- The AAI survey shows bullish sentiment, a positive signal after months of bearishness.
- Consumer sentiment has recovered – both conference board and University of Michigan surveys are recovering from historic lows
- Active managers are fully invested, after a period of caution during 2022.



ECONOMY

- The US continues to report better than expected economic data – GDP, employment and inflation data support a positive outlook
- GDP estimates continue to increase.
- However, tightening of lending standards and decreased demand for loans are at levels typically associated with recessions.

TECHNICAL

- The broadening trend of the stock market that started in June has continued.
- Historical evidence indicates the high likelihood of continued stock market gains after the last Federal Reserve rate hike.
- Despite volatility from the downgrade of US Treasuries, market reaction during the 2011 downgrade was short-lived.

← NEGATIVE SLIGHTLY NEGATIVE NEUTRAL SLIGHTLY POSITIVE POSITIVE →

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ⁱ Source: JPMorgan research

ⁱⁱ Source: Federal Reserve Senior Loan Officer Opinion Survey on bank lending practices [The Fed - Senior Loan Officer Opinion Survey on Bank Lending Practices \(federalreserve.gov\)](#)

ⁱⁱⁱ Source: Conference board [US Leading Indicators \(conference-board.org\)](#)

^{iv} source: Bloomberg

^v Source: Redfin [Housing Market Update: The Typical U.S. Homebuyer's Monthly Payment Is Up Nearly 20% From a Year Ago \(redfin.com\)](#)

^{vi} Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield