

PNC WEEKLY MARKET WATCH

December 5, 2022



MACRO PERSPECTIVE

- December is thought to be one of the best months for investors; over the past 15 years, there were only four instances when the S&P 500® had negative returns for the month of December (in 2018, 2015, 2014 and 2007). Unfortunately, those periods share some notable similarities with today. In 2018, the Federal Reserve (Fed) hiked rates by 25 basis points (bps) when most investors were wishing for a pause. In 2015 and 2014, investors were roiled by volatile oil markets due to geopolitical events. And December 2007 marked the onset of the recession that culminated with the Global Financial Crisis. The Fed remains committed to aggressively raising rates just like in 2018, and we are once again facing geopolitical risk in oil markets as new Russian sanctions go into effect today, December 5. The comparison to 2007, however, is more challenging as the fears of an economic “hard landing” have yet to materialize, as noted by the incredibly strong payroll report on Friday, December 2. In our view, the data indicates not only is the Fed likely to keep raising rates, but will probably raise its terminal rate even higher. We continue to believe the path forward for markets is driven by falling inflation and the Fed’s rate hike intentions.

EQUITY MARKETS

- Domestic equities rallied last week despite the S&P 500 ending down four of the five trading days. Markets were led by growth stocks, supported by falling interest rates and the hope the Fed will begin to slow aggressive rate hikes. Market breadth (percentage of companies above their 200-day moving average) reached 64%, the highest level since January, which in our view highlights the broad-based participation in the rally.
- The MSCI World ex USA Index rallied on inflation data coming in better than expected across most EU countries; however, with inflation in Germany still at 10.0%, elevated cost pressures remain incredibly high. In addition, European natural gas prices are back on the rise as cold weather is expected to arrive this week.
- The MSCI Emerging Markets Index delivered its fourth week of positive returns in five weeks as internet stocks surged in anticipation of potential easing of COVID-19 restrictions. Brazil stocks also had a strong week on news the incoming presidential administration will reallocate fiscal spending toward social programs.

FIXED INCOME MARKETS

- After failing to break above its 50-day moving average the week before Thanksgiving, the 10-year Treasury yield has fallen to its 100-day moving average for the first time since mid-August. Credit markets took advantage of the decline in yields, making November the fifth month of the year with more than \$100 billion in new issuance.

CHART OF THE WEEK

- Nearly 10 months into the Russia-Ukraine war, new sanctions against Russia take effect today: the European Union’s ban on seaborne crude oil and a price cap on Russian oil by the Group of Seven countries. Given Russia exports approximately 4 million barrels per day, some investors are concerned these sanctions could lead to a significant spike in oil prices. We believe this has a low probability based on the current oil market environment. Unlike the price of West Texas Intermediate oil, which is trading above \$80 per barrel, Russian oil has been trading near the new price cap level of \$60 per barrel for some time, meaning the sanction is unlikely to have a significant impact on Russian oil production and profitability. Therefore while the sanctions effectively ban Russian oil products in the European Union, countries such as China and India are expected to increase their imports, which should help allow global oil flows to continue.

		Weight	Price	Total Return (USD)					
				1 Week	QTD	YTD	1 Year		
All	S&P 1500		932	1.2%	14.2%	-12.9%	-9.2%		
	S&P 500		4,072	1.2%	13.9%	-13.3%	-9.6%		
Equity	Growth	2,553	1.8%	9.6%	-23.7%	-21.4%			
	Value	1,493	0.7%	18.0%	-1.5%	4.0%			
	Communication Services	7.5%		3.3%	7.4%	-34.5%	-32.6%		
	Consumer Discretionary	10.4%		2.2%	0.9%	-29.2%	-28.9%		
	Consumer Staples	7.0%		1.3%	16.0%	2.3%	12.3%		
	Energy	5.1%		-1.9%	25.2%	69.0%	71.0%		
	Financials	11.5%		-0.5%	18.6%	-6.6%	-5.2%		
	Health Care	15.3%		2.0%	15.6%	0.5%	9.2%		
	Industrials	8.5%		1.1%	23.6%	-2.0%	1.8%		
	Information Technology	26.3%		1.3%	13.8%	-22.0%	-19.0%		
	Materials	2.7%		1.7%	23.2%	-6.0%	0.1%		
	Real Estate	2.7%		0.5%	8.3%	-22.9%	-16.1%		
	Utilities	3.0%		0.1%	8.6%	1.5%	9.7%		
	Russell 1000	2,236	1.3%	13.7%	-14.2%	-10.9%			
	Russell 3000	2,355	1.3%	13.7%	-14.3%	-11.0%			
Russell Mid-Cap	2,866	1.3%	15.7%	-12.4%	-9.3%				
Mid/Small	S&P 400	2,574	0.6%	17.1%	-8.1%	-4.4%			
	Russell 2000	1,893	1.3%	14.0%	-14.6%	-13.0%			
	Growth	1,172	1.7%	11.9%	-20.8%	-20.2%			
	Value	2,239	1.0%	16.2%	-8.4%	-5.6%			
	S&P 600	1,245	1.1%	17.3%	-9.9%	-7.0%			
	MSCI ACWI	634	1.4%	14.8%	-14.7%	-11.7%			
	MSCI ACWI Ex USA	288	1.6%	16.7%	-14.2%	-11.7%			
	MSCI World Ex USA	2,015	0.9%	18.9%	-12.3%	-8.6%			
	MSCI World Ex USA Small Cap	255	0.7%	17.3%	-19.2%	-15.8%			
	Emerging Markets	974	3.5%	11.5%	-18.8%	-18.9%			
Alternative	S&P GSCCommodity	612	1.2%	3.3%	25.8%	34.9%			
	Gold	\$1795.9/oz*	2.4%	8.1%	-2.0%	1.7%			
	Crude Oil	\$79.98/bbl*	4.9%	3.8%	26.9%	44.0%			
	Copper	\$3.848/lb*	5.7%	12.1%	-10.6%	-8.8%			
	FTSE NAREIT All Equity REIT	217	0.5%	9.5%	-21.5%	-15.5%			
BBG Galaxy Crypto Index	838	5.3%	-11.0%	-67.0%	-73.9%				
Taxable Fixed Income			YTW	1 Week	QTD	YTD	1 Year		
	Short	BBG US Treasury Bills	4.22%	0.1%	0.5%	1.0%	1.0%		
		BBG US Agg (1-3Yr)	4.53%	0.5%	0.9%	-3.7%	-3.7%		
		BBG US Govt Int	3.95%	1.0%	1.8%	-7.0%	-7.1%		
	Core Plus	BBG US Govt Int/Credit	4.31%	1.0%	2.4%	-7.5%	-7.5%		
		BBG US Int Aggregate	4.36%	1.2%	2.9%	-8.5%	-8.4%		
		BBG US Aggregate	4.39%	1.5%	3.7%	-11.4%	-11.6%		
		BBG US Agg Govt Treasury	3.89%	1.5%	2.5%	-10.9%	-11.4%		
		BBG US Treasury TIPS	n/a	2.6%	5.0%	-9.3%	-8.9%		
		BBG US Agg Credit	5.04%	1.7%	5.5%	-13.5%	-13.6%		
		BBG Corp Inv Grade	5.12%	1.7%	5.8%	-14.0%	-14.0%		
		BBG US Corp High Yield	8.38%	0.9%	5.8%	-9.8%	-8.4%		
		Credit	S&P/LSTA US Leveraged Loan	n/a	0.3%	3.5%	-0.9%	-0.1%	
			BBG EM USD Aggregate	7.37%	2.2%	7.1%	-14.9%	-14.5%	
	Muni	FI		Price	1 Week	QTD	YTD	1 Year	
BBG Municipal (1-3Yr)		2.76%	0.4%	1.7%	-1.8%	-1.8%			
BBG Municipal Int Short		2.89%	0.8%	2.8%	-4.6%	-4.5%			
BBG Municipal Bond	3.47%	1.1%	4.3%	-8.3%	-8.2%				
Dollar	FX								
	US Dollar / Euro	1.05	0.6%	6.9%	-7.9%	-7.5%			
	Japanese Yen / US Dollar	135.48	-2.7%	-6.4%	17.6%	19.9%			
	Chinese Yuan / US Dollar	7.04	-1.7%	-0.7%	10.4%	10.4%			
\$									
**US TW Major Currencies	\$117.70	0.0%	1.7%	14.8%	8.8%				
**US TW \$-Broad Index	\$123.49	0.0%	2.0%	10.9%	6.4%				

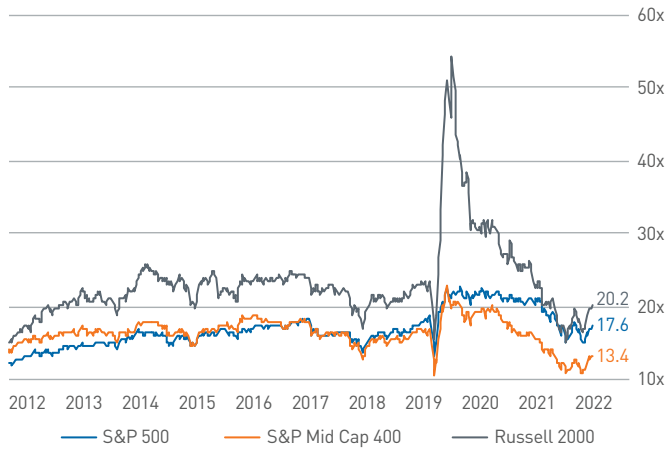
Data as of 12/2/22 unless otherwise noted. Source: FactSet®, FactSet® is a registered trademark of FactSet Research Systems Inc. and its affiliates. Standard & Poor's, Russell Investments, MSCI, Bloomberg L.P., Commodity Research Bureau, Federal Reserve
* Spot price ** As of 11/25/22



PNC WEEKLY MARKET WATCH

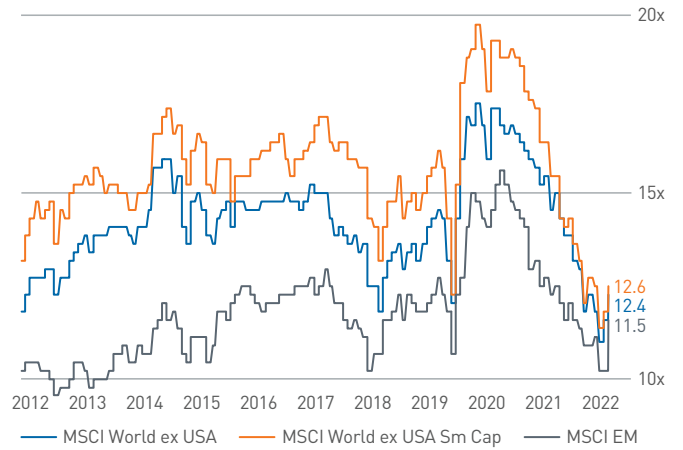
Domestic Equity Valuations

Next-12-Month Price-to-Earnings Ratio
As of 12/2/22



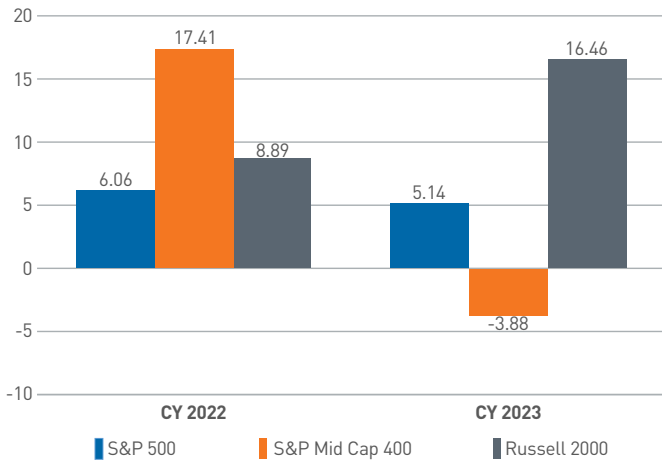
International Equity Valuations

Next-12-Month Price-to-Earnings Ratio
As of 12/2/22



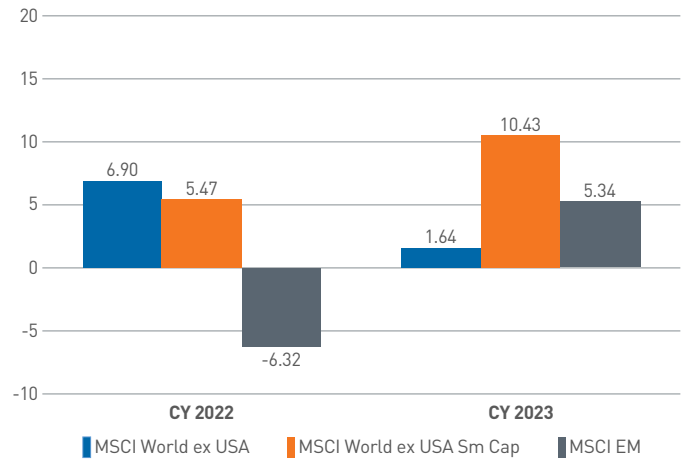
Domestic Equity Earnings Growth Estimates

Earnings Per Share Year-over-Year Percent Growth Estimates
As of 12/2/22



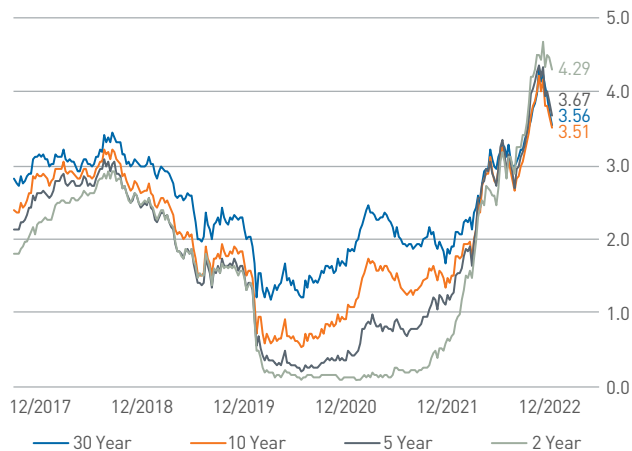
International Equity Earnings Growth Estimates

Earnings Per Share Year-over-Year Percent Growth Estimates
As of 12/2/22



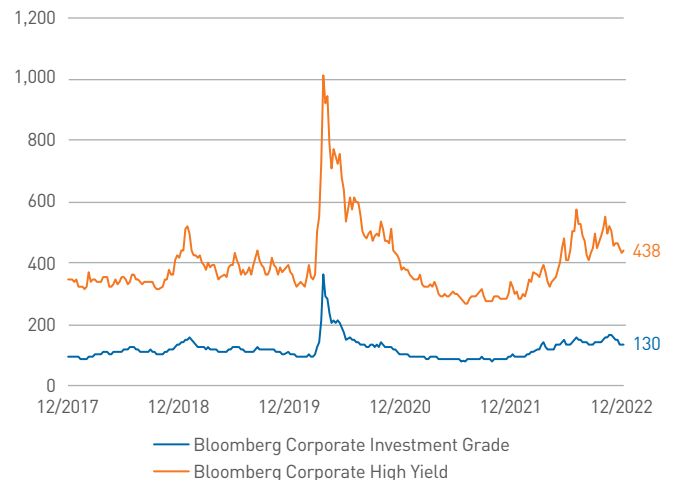
U.S. Treasury Yields

Percent Yield
As of 12/2/22



Option-Adjusted Spreads

Basis Points
As of 12/2/22



PNC WEEKLY MARKET WATCH

THE WEEK AHEAD

Day	Country	Event	Period	Surv(M)**	Prior
MONDAY (DECEMBER 5)	EC	Retail Sales Year over Year (YoY)	Oct	-2.6%	-0.6%
	US	Factory Orders	Oct	0.7%	0.3%
	US	Durable Goods Orders	Oct F*	1.0%	1.0%
	EC	European Central Bank's (ECB's) Makhlouf Speaks about the Path for Monetary Policy in 2023 and Beyond			
WEDNESDAY (DECEMBER 7)	GE	Industrial Production WDA* YoY	Oct	-0.7%	2.6%
	EC	GDP Seasonally Adjusted (SA) YoY	3Q F*	2.1%	2.1%
	US	MBA Mortgage Applications	Dec 2	—	-0.8%
	US	Nonfarm Productivity	3Q F*	0.6%	0.3%
	US	Unit Labor Costs	3Q F*	3.2%	3.5%
	US	Consumer Credit	Oct	\$28.0b	\$24.976b
THURSDAY (DECEMBER 8)	JN	GDP SA Quarter over Quarter (QoQ)	3Q F*	-0.2%	-0.3%
	US	Initial Jobless Claims	Dec 3	230k	225k
	US	Continuing Claims	Nov 26	1615k	1608k
	CH	Producer Price Index (PPI) YoY	Nov	-1.5%	-1.3%
FRIDAY (DECEMBER 9)	CH	Consumer Price Index (CPI) YoY	Nov	1.6%	2.1%
	US	PPI Final Demand YoY	Nov	7.2%	8.0%
	US	Wholesale Inventories Month over Month (MoM)	Oct F*	0.8%	0.8%
	US	University of Michigan Consumer Sentiment	Dec P*	56.8	56.8
US	University of Michigan One-Year Inflation	Dec P*	4.8%	4.9%	

*F = Final *P = Preliminary *WDA = Work Day Adjusted **Economist Survey Median

Source: Bloomberg L.P., PNC

Data as of 12/2/22

THE WEEK BEHIND

Day	Country	Event	Period	Surv(M)**	Actual	Prior
MONDAY (NOVEMBER 28)	US	Dallas Fed Manufacturing Activity	Nov	-23	-14.4	-19.4
	JN	Retail Sales YoY	Oct	5.0%	4.3%	4.8% R*
TUESDAY (NOVEMBER 29)	EC	Economic Confidence	Nov	93	93.7	92.7 R*
	EC	Consumer Confidence	Nov F*	—	-23.9	-23.9
	GE	CPI YoY	Nov P*	10.4%	10.0%	10.4%
	US	FHFA House Price Index MoM	Sep	-1.3%	0.1%	-0.7%
	US	Conference Board Consumer Confidence	Nov	100	100.2	102.2 R*
	JN	Industrial Production YoY	Oct P*	5.2%	3.7%	9.6%
WEDNESDAY (NOVEMBER 30)	CH	Manufacturing PMI	Nov	49.2	48	49.2
	EC	CPI Core YoY	Nov P*	5.0%	5.0%	5.0%
	US	ADP® Employment Report	Nov	195k	127k	239k
	US	Wholesale Inventories MoM	Oct P*	0.5%	0.8%	0.6%
	US	GDP Annualized QoQ	3Q S*	2.7%	2.9%	2.6%
	US	Core Personal Consumption Expenditures (PCE) QoQ	3Q S*	—	4.6%	4.5%
	US	Chicago Business Barometer™	Nov	47	37.2	45.2
	US	JOLTS Job Openings	Oct	10325k	10334k	10687k R*
THURSDAY (DECEMBER 1)	JN	au Jibun Bank Japan Manufacturing PMI®	Nov F*	—	49	49.4
	CH	Caixin China Manufacturing PMI	Nov	48.9	49.4	49.2
	GE	Retail Sales NSA YoY	Oct	-2.9%	-6.6%	-0.3% R*
	GE	S&P Global/BME Germany Manufacturing PMI®	Nov F*	46.7	46.2	46.7
	EC	S&P Global Eurozone Manufacturing PMI®	Nov F*	47.3	47.1	47.3
	UK	S&P Global/CIPS UK Manufacturing PMI®	Nov F*	46.2	46.5	46.2
	US	Challenger Job Cuts YoY	Nov	—	416.5%	48.3%
	US	Personal Income	Oct	0.4%	0.7%	0.4%
	US	PCE Core Deflator YoY	Oct	5.0%	5.0%	5.2% R*
	US	S&P Global US Manufacturing PMI™	Nov F*	—	47.7	47.6
FRIDAY (DECEMBER 2)	US	ISM® Manufacturing	Nov	49.8	49	50.2
	US	Wards Total Vehicle Sales	Nov	14.90m	14.14m	14.90m
	EC	PPI YoY	Oct	31.8%	30.8%	41.9%
	US	Change in Nonfarm Payrolls	Nov	200k	263k	261k
	US	Unemployment Rate	Nov	3.7%	3.7%	3.7%
US	Average Hourly Earnings YoY	Nov	4.6%	5.1%	4.9% R*	

*F = Final *P = Preliminary *R = Revised *S = Second Estimate **Economist Survey Median

Source: Bloomberg L.P., PNC

Survey data as of 11/25/22

Actual data as of 12/2/22

PNC WEEKLY MARKET WATCH

INVESTMENT STRATEGY TEAM

Marc Dizard, CFA, CFP

Chief Investment Strategist

Daniel J. Brady

Managing Director, Investment Strategy

Marc A. Wenhammar

Managing Director, Investment Strategy

Ian Bell, CFA

Investment & Portfolio Strategist

Yasin Bentiss, CFA

Director, Investment Strategy

Bethany A. Stein, CFA

Director, Investment Strategy

Rebekah M. McCahan

Senior Investment & Portfolio Strategist

Karissa Swartz

Investment & Portfolio Strategist

These materials are furnished for the use of PNC and its clients and do not constitute the provision of investment, legal, or tax advice to any person. They are not prepared with respect to the specific investment objectives, financial situation, or particular needs of any person. Use of these materials is dependent upon the judgment and analysis applied by duly authorized investment personnel who consider a client's individual account circumstances. Persons reading these materials should consult with their PNC account representative regarding the appropriateness of investing in any securities or adopting any investment strategies discussed or recommended herein and should understand that statements regarding future prospects may not be realized. The information contained herein was obtained from sources deemed reliable. Such information is not guaranteed as to its accuracy, timeliness, or completeness by PNC. The information contained and the opinions expressed herein are subject to change without notice. Past performance is no guarantee of future results. Neither the information presented nor any opinion expressed herein constitutes an offer to buy or sell, nor a recommendation to buy or sell, any security or financial instrument. Accounts managed by PNC and its affiliates may take positions from time to time in securities recommended and followed by PNC affiliates. Securities are not bank deposits, nor are they backed or guaranteed by PNC or any of its affiliates, and are not issued by, insured by, guaranteed by, or obligations of the FDIC or the Federal Reserve Board. Securities involve investment risks, including possible loss of principal.

Indices or Benchmarks. Indices are unmanaged, are not available for direct investment, and are not subject to management fees, transaction costs or other types of expenses that an account may incur. Indices performance results do not represent, and are not necessarily indicative of, the results that may be achieved in accounts investing in the corresponding investment strategy; actual account returns may vary significantly. For definitions of Indices/Benchmarks used herein, please refer to www.pnc.com/indexdefinitions.

The PNC Financial Services Group, Inc. provides investment consulting and wealth management, fiduciary services, FDIC-insured banking products and services, and lending of funds to individual clients through PNC Bank, National Association ("PNC Bank"), which is a **Member FDIC**, and provides specific fiduciary and agency services to individual clients through PNC Delaware Trust Company or PNC Ohio Trust Company. PNC provides various discretionary and nondiscretionary investment, trustee, custody, consulting, and related services to institutional clients through PNC Bank, and investment management services through PNC Capital Advisors, LLC, an SEC-registered investment adviser and wholly-owned subsidiary of PNC Bank. PNC does not provide legal, tax, or accounting advice unless, with respect to tax advice, PNC Bank has entered into a written tax services agreement. PNC Bank is not registered as a municipal advisor under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

"PNC" is a registered mark of The PNC Financial Services Group, Inc.

Investments: Not FDIC Insured. No Bank Guarantee. May Lose Value.

©2022 The PNC Financial Services Group, Inc. All rights reserved.