

Market Commentary

Last Week's Highlights: Equities were mixed last week, while bond yields higher overall. The Dow was up 1.37% last week, while the S&P 500 lost 0.84%, the Nasdaq was down 1.90%, and the Russell 2000 lost 0.09%. Bonds declined as interest rates were higher for the week. The BBgBarc Agg Bond Index was down 1.31% for the week and short-term bonds lost 0.13%. The US dollar was lower last week, but international equities were mixed. The MSCI EAFE Index gained 0.30%, while the MSCI Emerging Markets Index dropped 0.20%. **Economic Data:** The economic data is light this week as the trading days were shortened by the holiday. The key economic data releases this week are Wholesale Inventories, Case-Shiller Home Price Index, Dallas Fed Manufacturing Index, Redbook Sales, Pending Home Sales, Richmond Manufacturing Index, Weekly Jobless Claims, Continuing Claims, & Chicago PMI. **Earnings Releases:** There are no considerable earnings releases this week. **Takeaways:** The Fed's favorite measure of inflation, Core PCE Prices, showed a drop last week from 5.0% in October to 4.7% in November. The standard PCE Price Index has declined 4 of the last 5 months. The historical measure of inflation, PPI and CPI (which we largely prefer), has declined over the last 5 consecutive months. The Fed is either ignoring this data, or they consider the decline in inflation as "transitory" as they considered the increase nearly two years ago. What can investors expect in 2023? While we are not entirely certain of our expectations, we have to lean toward the beginning of 2023 being more of the same as the end of 2022. The Fed in control of markets for the time being. Whenever the Fed breathes, markets move one way or another. This could likely spell a range-bound market in the short-term. To us, the real question is what does the consumer do in 2023? Is there a hangover from Christmas spending, causing consumers to hit the pause button due to still high inflation and the prospect of higher interest rates? The bright spot for 2023 is that back-to-back negative years for equities are not standard. Since 1928, the S&P 500 Index has been negative in 25 calendar years (27% of all years). Of those 25 negative years, only 8 (32%) has seen back-to-back negative years. So, perhaps 2023 may see a return to the positive column. For now, we expect more range-bound returns. Stay upbeat, but remain cautious.

Market Returns

Sectors	1 Week Return	YTD Return
Technology	-2.37%	-31.51%
Industrials	0.58%	-7.95%
Energy	4.25%	62.14%
Communication Svcs	1.81%	-40.92%
Basic Materials	0.21%	-10.46%
Consumer Cyclical	-2.82%	-35.28%
Financial Svcs	1.21%	-12.97%
Real Estate	-0.01%	-25.27%
Consumer Defensive	0.99%	-1.95%
Healthcare	0.68%	-5.07%
Utilities	1.46%	2.24%

Key Indices	1 Week Return	YTD Return
S&P 500	-0.84%	-18.02%
Dow Jones Industrial Average	1.37%	-4.99%
Russell 2000	-0.09%	-21.55%
Nasdaq	-1.90%	-33.47%
MSCI EAFE	0.30%	-16.80%
BBgBarc Agg Bond	-1.31%	-12.44%
60% S&P / 40% BB Agg Bond	-1.03%	-15.79%

Key Rates—as of 12/23/2022	
3mth T-bills	4.33%
2yr U.S. Treasury	4.33%
10yr U.S. Treasury	3.75%
Fed Funds	4.25%-4.50%

Investment Styles—1 Week Returns

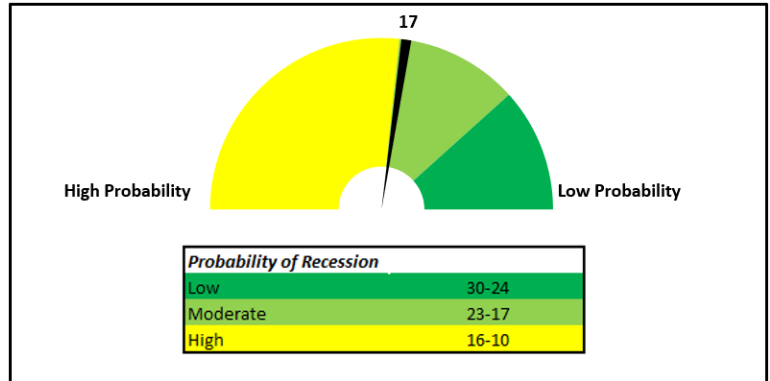
Value	Blend	Growth	
0.84%	0.80%	-1.90%	Large
0.83%	0.56%	-1.28%	Mid
0.98%	0.21%	-1.34%	Small

Investment Styles—YTD Returns

Value	Blend	Growth	
0.05%	-14.36%	-40.24%	Large
-2.25%	-14.16%	-32.52%	Mid
-6.53%	-14.40%	-33.53%	Small

Recession Indicator

The current score of our Recession Indicator suggests that there is a moderate probability of a recession in the next 6-12 months. The Indicator was unchanged last week. It is now at a level of 17. Financial Stress & the Savings Rate are at positive levels. GDP & the NAAIM are at a moderate levels. The Yield Curve, the ANCFI, Housing Starts, CPI (Inflation), Consumer Sentiment, Unemployment, & Wages are at levels that are typically associated with recessions. The Indicator is fluctuating as economic data is shifting between contraction and growth.



Source: Eudaimonia Asset Management

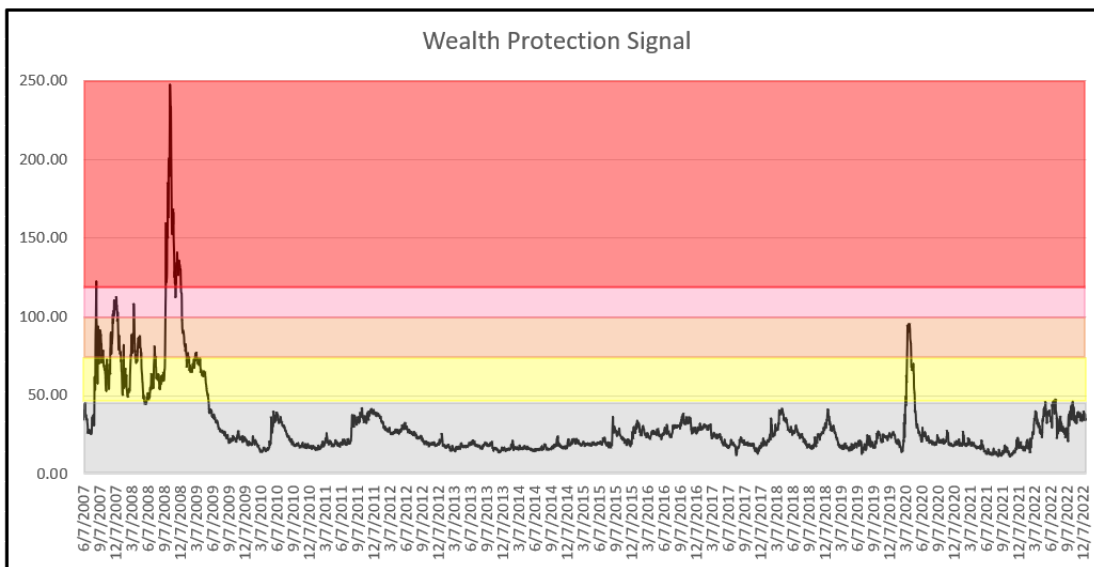
Wealth Protection Signal

Description

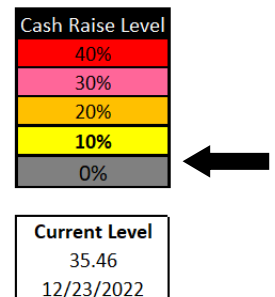
The Wealth Protection Signal measures panic or “fear” among investors, as well as, “volatility” in the market. The Signal is comprised of a proprietary weighting to the VIX Index (volatility) and to the TED Spread (fear). When these indices spike, major market meltdowns tend to follow. The Signal is also measured against the Yield Curve. When the 1st Cash Raise Level is reached, the Yield Curve (2yr Treasury Bond Yields > than 10yr Treasury Bond Yields) must also be inverted or have been inverted within the past 90 days in order for the 1st Cash Raise to trigger.

Current Level

The current level of the Wealth Protection Signal is at 35.46 as of Friday’s close on December 23rd, 2022. The Signal decreased 1.7% from the previous week’s close. Both the VIX and the TED Spread decreased last week. The Signal still remains range-bound and would have to increase 97% to reach the next trigger point. The Wealth Protection Signal is currently indicating that investors should have a 10% cash-weighting within their respective asset allocation at this time.



Source: Eudaimonia Asset Management



Disclosures

Sources: Investment Style returns are derived from Morningstar, Inc. (<https://indexes.morningstar.com/indexdata#>). Key Rates table derived from Bloomberg. (<https://www.bloomberg.com/markets/rates-bonds/government-bonds/us>). Sectors and Key Indices tables are derived from Charles Schwab Advisor Center.

Recession Indicator is comprised of 10 economic measurements including, the Yield Curve, GDP, Inflation, Wage Growth, Unemployment, Housing Starts, Consumer Sentiment, Adjusted National Financial Conditions Index, the Fed's Financial Stress Index, U.S. Savings Rate, and the NAAIM (National Association of Active Investment Managers) Index.

Wealth Protection Signal is comprised of the VIX and the TED Spread Indices. The VIX Index is the Chicago Board of Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. The TED Spread is the price difference between 3-month futures contracts for U.S. Treasuries and 3-month futures contracts for Eurodollars having identical expiration months.

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