



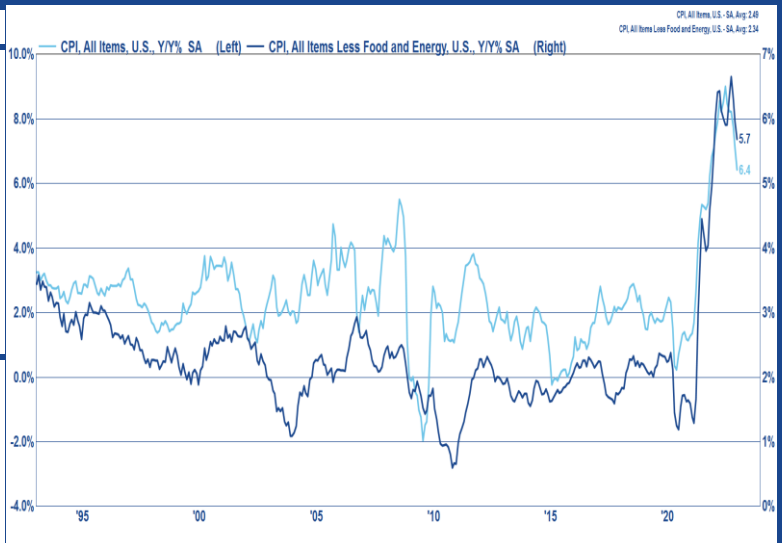
Economic & Market Commentary

Halfway through the month of January, stock markets have posted solid returns. With inflation rates consistently trending lower and economic activity pointing to a mild economic recession, market sentiment is growing that the Federal Reserve (Fed) will be pivoting from their rate hike policy stance sooner rather than later. The problem is, someone needs to tell the Fed and there is a widening disconnect between the market and the Fed on the correct path of rate policy. We've seen a few of these short-term rallies over the last eight months, but each time the Fed quashed pivot hopes by reiterating their commitment to quelling inflation even at the expense of an economic recession as failing to do so would bring greater economic harm as was the case in the 1970s. Both the market and the Fed are looking and analyzing the same data but drawing different conclusions. The Fed contends that risks to inflation are to the upside as the labor market remains strong, COVID-related supply and demand imbalances persist, and the war in Ukraine has and will continue to put pressure on food and energy costs. The market contends the Fed has not allowed enough lag time for the rate hikes to take effect on the economy and inflation, and that there are historically reliable market measures, such as an inverted yield curve and the leading economic indicators index, which are pointing to a pending recession. Inflation in December declined -.01% and on a year-over-year basis posted a reading of +6.4%, its lowest level since October 2021. Core inflation, which excludes food and energy, posted monthly and y/y readings of +0.3% and +5.7%. Services-related inflation, which the Fed is closely watching, posted a y/y reading of +7.0%, its highest reading since August 1982. After the December inflation posting, the CME Fedwatch Tool shows that the probability of a +0.25% rate hike next month shot up to 91.2% from 78.7% one week ago. Moreover, even though the Fed's economic projections and rhetoric indicate no rate cut until 2024, the market believes the probability of a rate cut in the fourth quarter of this year is now greater than 50%.

Index Total Returns - January 13, 2023

	1-Wk	YTD	1-Yr
MSCI-Emerging	4.18	7.71	-16.08
Russell 2000	5.27	7.17	-11.35
MSCI-Developed	4.25	7.04	-9.36
S&P 400	3.67	6.24	-6.01
NASDAQ	4.83	5.88	-24.54
S&P 500	2.71	4.22	-12.74
Dow Jones	2.01	3.54	-3.01
Barclay's U.S. Bond Index			
High Yield	1.58	3.84	-7.16
Aggregate	0.88	2.74	-9.44
Municipal	1.15	2.31	-5.54
Int. Gov. Credit	0.52	1.55	-6.05
5-year Muni	0.76	1.50	-3.01

U.S. Consumer Price Index



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	4.74	4.75	0.45
U.S. 2-Yr	4.22	4.27	0.89
U.S. 3-Yr	3.89	3.98	1.19
U.S. 5-Yr	3.61	3.71	1.48
U.S. 10-Yr	3.51	3.56	1.71
U.S. 30-Yr	3.62	3.69	2.05

S&P 500 Sector Total Returns - January 13, 2023

Sector	1-Wk	YTD	1-Yr
Communication Services	4.27	8.18	-33.29
Consumer Discretionary	5.77	8.15	-29.37
Materials	4.31	7.91	-4.16
Real Estate	4.41	7.02	-16.17
Financials	2.05	5.54	-10.60
Info Tech	4.62	4.87	-20.26
Industrials	1.53	4.29	-2.02
Energy	2.69	2.69	49.74
Utilities	0.45	1.16	5.22
Consumer Staples	-1.44	0.30	-0.12
Health Care	-0.12	-0.29	2.56

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	2.84	3.01	1.17
U.S. AA	2.98	3.17	1.23
U.S. A	3.57	3.76	1.47
U.S. Baa	4.22	4.42	1.77
U.S. Municipal	3.18	3.36	1.32
Michigan	3.32	3.50	1.42

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	17.47	17.38	1.60
S&P 400 - Mid Cap	13.71	15.57	1.49
S&P 600 - Small Cap	13.27	16.37	1.48