Market Commentary

September 2022

Executive Summary:

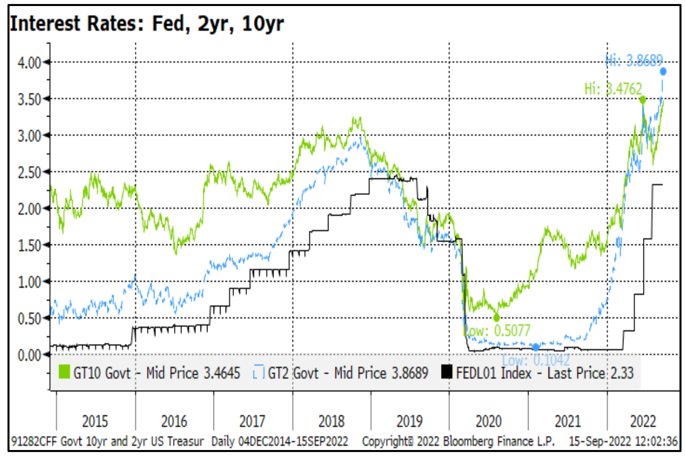
- The Fed will continue to raise the federal funds rate aggressively based upon recent economic data
- The yield curve remains inverted suggesting the bond market expects economic growth to slow
- While not a foregone conclusion, a recession is more probable heading into 2023 due to the Fed policy, but taming inflation will be beneficial for markets and consumers long-term

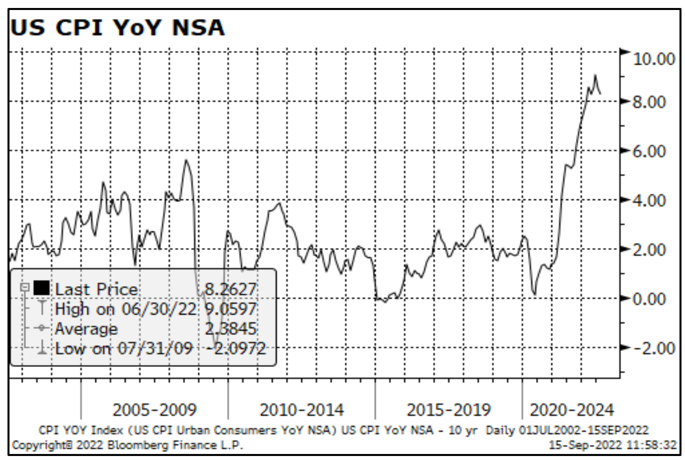
Elevated inflation and the Federal Reserve's response remains the focus of bond and stock markets. All eyes will be on the Fed next week as markets anticipate the third consecutive 0.75% increase to the federal funds rate. The CPI data this week, up 8.3% vs. a year ago, was disappointing for investors hoping the Fed could pivot to a less aggressive restrictive policy stance.

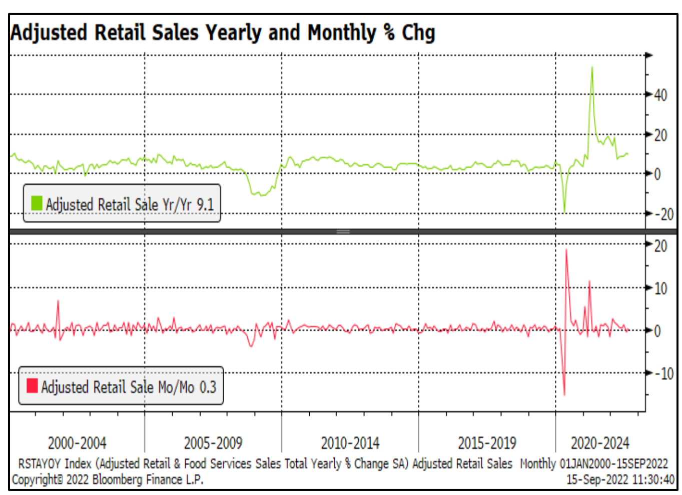
The bond market continues to expect a slowing economy as indicated by the inverted yield curve. However, the U.S. consumer remains in fine shape as evident by the August retail sales figures showing an annual growth of 9.1% and the unemployment rate at 3.5%. We believe the economy remains out of the woods for a recession this year, but the risks grow heading into 2023.

Presently, good economic data can be a negative for stocks because the Fed will likely interpret positive readings as either inflationary or justification for a more restrictive policy stance. This raises the risk that the U.S. economy tips into a recession due to higher borrowing costs. For example, mortgage rates recently exceeded 6% for the first time since 2008. Note, a recession is not a certainty over the next 12 months. While not our base case, a Fed orchestrated soft landing is still possible.

If a recession occurs in the coming quarters, the length and severity may be shorter and milder than recent investors' memories of a recession. We believe this will be true because of the financial industry's balance sheet strength and the strength of the consumer. For now, we continue to recommend a neutral strategic position between stocks and bonds & cash with a bias towards higher quality, income producing securities. Longer term, investors and consumers will benefit from the Fed taming inflation.







DIAMOND CAPITAL MANAGEMENT

Market Commentary

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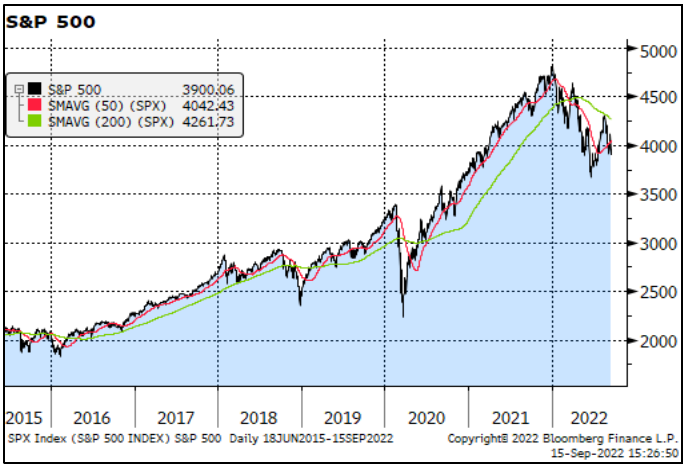
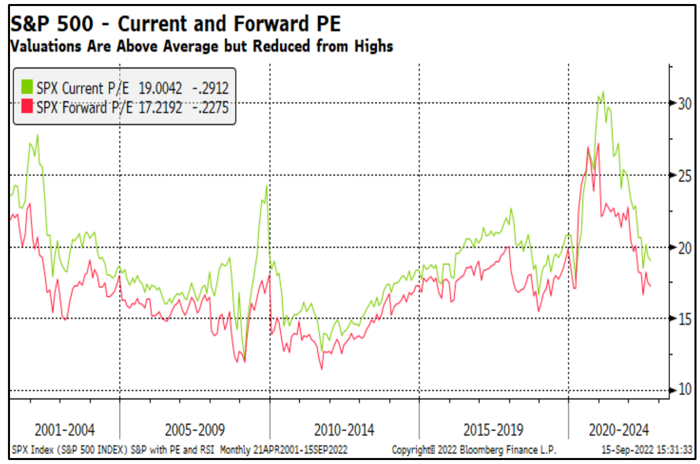
THE NATIONAL BANK of INDIANAPOLIS





SECTORS	2021	YTD	EQUITY INDICES	2021	YTD	COMM. & CURRENCIES	LAST CLOSE	YTD
S&P 500 COMM SVC	21.57%	-33.09%	S&P 500 INDEX	28.68%	-16.77%	WTI CRUDE FUTURE Oct22	88.48	20.21%
S&P 500 CONS DISCRET IDX	24.43%	-21.53%	DOW JONES INDUS. AVG	20.95%	-13.11%	BRENT CRUDE FUTR Nov22	94.10	23.16%
S&P 500 CONS STAPLES IDX	18.63%	-6.28%	NASDAQ COMPOSITE	22.21%	-25.36%	NATURAL GAS FUTR Oct22	9.11	127.26%
S&P 500 ENERGY INDEX	54.35%	49.31%	S&P 400 MIDCAP INDEX	24.73%	-13.66%	LME COPPER 3MO ($)	7,803.00	-19.73%
S&P 500 FINANCIALS INDEX	34.87%	-13.44%	RUSSELL 1000 GROWTH INDX	27.59%	-24.24%	Gold Spot $/Oz	1,697.32	-8.84%
S&P 500 HEALTH CARE IDX	26.13%	-8.40%	RUSSELL 1000 VALUE INDEX	25.12%	-9.63%	Silver Spot $/Oz	19.63	-17.54%
S&P 500 INDUSTRIALS IDX	21.10%	-12.41%	RUSSELL MIDCAP RT INDEX	22.55%	-16.12%	Euro Spot	1.00	-12.08%
S&P 500 INFO TECH INDEX	34.52%	-25.05%	RUSSELL 2000 INDEX	14.78%	-17.66%	British Pound Spot	1.15	-15.09%
S&P 500 MATERIALS INDEX	27.28%	-16.65%	MSCI ACWI ex US	7.82%	-19.55%	Japanese Yen Spot	143.08	-19.77%
S&P 500 REAL ESTATE IDX	46.14%	-20.28%	MSCI EAFE	11.87%	-20.09%	DOLLAR INDEX SPOT	109.66	14.63%
S&P 500 UTILITIES INDEX	17.67%	6.92%	MSCI EM	-2.32%	-19.82%			

Source: Bloomberg As of: 9/15/2022

Total Return

Bloomberg Barclays Bond Indices	2020	2021	YTD	Effective Duration	Avg. Maturity	Yield-to-Worst	Key Rates	
U.S. Aggregate	7.51%	-1.54%	-12.07%	6.59	8.61	4.26%	Effective Fed Funds	2.33%
Intermediate	6.43%	-1.44%	-8.02%	4.04	4.34	4.11%	2-yr Treasury	3.86%
Global Agg ex USD	10.11%	-7.05%	-20.52%	7.48	8.92	2.40%	10-yr Treasury	3.45%
Inv Grade Corporate	9.89%	-1.04%	-15.38%	7.64	11.31	5.08%	10-yr German Bund	1.75%
U.S. Corporate High Yield	7.11%	5.28%	-11.16%	4.66	5.80	8.50%	Prime Rate	5.50%
Tax Exempt								
Muni 1-10 Yr Blend (1-12)	4.23%	0.54%	-5.78%	3.76	5.89	2.91%		

Source: Bloomberg As of: 9/15/2022