Portfolio Manager Commentary
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Trustmark
Investment Advisors, Inc.

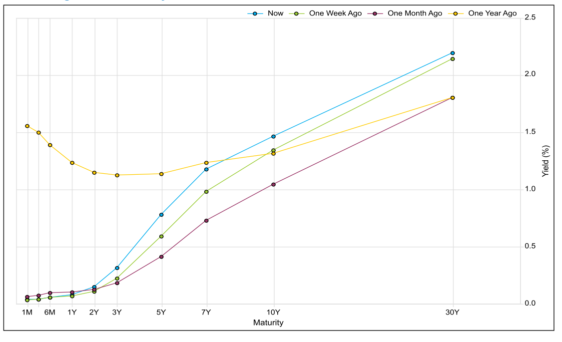
Economic Outlook

The U.S. Leading Economic Indicators Index was up 0.5% for January. Single-Family Homes Sales were up to an annual rate of 923,000 units in January from 885,000 units in December. Durable Goods Orders were up a nice 3.4% for January. Personal Income was up a whopping 10.0% in January, after having been up 0.6% in December. Consumer Spending was up 2.4% in January versus having been down 0.4% in December. Core U.S. Inflation was up 0.3% in January, after having also been up 0.3% in December. Finally, the Chicago Purchasing Managers Index came in at 59.5 for January versus 63.8 for December (above 50 is expansionary).

Fixed Income

This past week's carnage in the $21 trillion Treasury market has left shell-shocked traders poised for even more losses ahead -- raising pressure on Federal Reserve officials to respond to the startling run-up in yields. As of the close of trading last week, momentum traders were the most short on Treasu ries since the 2013 taper tantrum, according to Jefferies International. At the same time, expected volatility is surging, a warning flag across asset classes, and the market is moving toward pricing in a Fed liftoff in rates from near zero in late 2022, at least a full year earlier than the central bank has been projecting. That is the backdrop in which Fed Chairman Jerome Powell will deliver what are likely his final public comments later this week before the FOMC's scheduled meeting in mid-March. The Chairman should have plenty to discuss after a week that produced plenty of superlatives, including the steepest weekly jump in five-year yields in months and the biggest convulsions in the yield curve since the early days of the pandemic. What is more, ten-year yields, a benchmark for global borrowing, soared to the highest level in a year. While they wound up retreating sharply on Friday due to month-end buying, the initial move helped quell the speculative euphoria that is supported risky assets. Put it all together, and the coming Fed remarks loom large for all markets, not just bond traders betting on higher yields. Ten-year Treasuries ended last week at 1.41%, well below the 1.61% peak where it traded last Thursday, the highest since February 2020. The most brutal part of that leap higher in rates came after demand cratered at the Treasury's seven-year note auction. The bloodletting that ensued, led by the five-year note, squeezed bets on steepener trades and other positions involving that part of the curve. In Treasury options, the skew of puts to calls is its most extreme since 2012, indicating traders are still positioned for higher yields. With traders embracing a rosier view of the economy amid the rollout of vaccines and calls for additional U.S. virus relief, the swaps market is now pricing the Fed' s first rate hike closer to December 2022, versus mid-2023 at the start of last week.
The Fed itself has signaled no tightening through 2023.

Change in Treasury Yield



Current Generic Bonds Yields

Treasuries		Agencies		Corporates		Municipals	
3 mo.	0.03%	3 mo	-0.04%	3 mo	0.19%	3 mo	0.24%
6 mo	0.05%	6 mo	-0.04%	6 mo	0.21%	6 mo	0.24%
1 yr	0.07%	1 yr	0.00%	1 yr	0.25%	1 yr	0.25%
2 yr	0.13%	2 yr	0.15%	2 yr	0.34%	2 yr	0.33%
5 yr	0.73%	5 yr	0.71%	5 yr	1.06%	5 yr	0.71%
10 yr	1.41%	10 yr	1.57%	10 yr	2.12%	10 yr	1.26%
30 yr	2.15%	30 yr		30 yr	3.18%	30 yr	2.06%

Equity

U.S. equity finished the week down as the S&P 500 notched a -2.48% loss. Energy (+4.27%) was the lone sector to finish positive as Consumer Discretionary (-4.99%) and Utilities (-4.97%) struggled the most.

The Growth versus Value play continues to steal headlines as Value is outperforming Growth by about 500 basis points Year-to-Date.

Index Returns	Last Week	YTD
Dow Jones Industrials	-1.74%	1.44%
S&P 500 (LCap)	-2.45%	1.47%
S&P 400 (MCap)	-1.54%	8.22%
Russell 2000 (SCap)	-2.90%	11.45%
NASDAQ Composite	-4.92%	2.36%
MSCI EAFE (Int'l)	-2.94%	1.44%
iShares Real Estate	-1.53%	1.98%

Source: FactSet Research Systems

Asset Allocation

Current Sentiment

Cash	Favorable
Short FI	Neutral
Intermediate FI	Neutral
Inflation-Adjusted FI	Neutral
High Yield FI	Unfavorable
International FI	Unfavorable
Equity Income	Neutral
Large Cap Equity	Favorable
Mid Cap Equity	Neutral
Small Cap Equity	Unfavorable
International Equity	Unfavorable
Emerging Markets Equity	Unfavorable
Real Estate	Neutral
Commodities	Unfavorable

Summary below - Current stance on most asset classes:

Cash - Overweighting due to market volatility and uncertainty from Covid-19.

Short Term Bonds - Relative to Intermediate Bonds, the reduced duration is preferable given the oversold long-end of the curve.

Intermediate Term Bonds - The current trading range of intermediate bonds warrants a neutral position with limited upside potential. Some opportunities still remain in certain sectors.

Inflation-Adjusted Bonds - Low inflation expected in near-term providing zero real return.

High Yield Bonds - Spreads are rising given the market turbulence and exposure to unnecessary credit risk when compared to Treasuries would not be advised.

International Bonds - Foreign bonds offer good diversification qualities and higher yield opportunities, however, risks have been elevated recently and investment should be made cautiously.

Equity Income - High quality and higher-dividend-paying companies remain attractive for long-term investors given their favorable risk-adjusted profile and current yield curves.

Large Cap Stocks - A favorable weighting is recommended. Growth continues to be a more favorable style and should continue to be overweighed versus Value.

Mid Cap Stocks - Mid cap exposure remains neutral - more attractive than small caps but not as attractive as large caps.

Small Cap Stocks - In broad market corrections, small cap stocks will suffer most with increased volatility. Underweight until a clearer picture of recovery ensues.

International Stocks - Given most foreign investment is in developed markets and European countries, until sovereign debt concerns are alleviated, a n underweight is recommended.

Emerging Market Stocks - Stronger balance sheets, less debt, and better growth potential make emerging markets more fundamentally attractive than deve loped countries longer-term. However, trade uncertainty and dollar strength provide a headwind for EM in the near term.

Real Estate - Pricing has begun to stabilize and long-term valuations appear attractive. Real Estate should continue to be a strong alternative to other asset classes.

Commodities - Global demand should support higher prices if the global recovery remains on track. Volatility will be higher, and commodities will be susceptible to short-term price shocks, however, if used in conjunction with other asset classes, risk can be reduced substantially within a diversifie d portfolio. Used alone though is not recommended as the short-term outlook is not favorable.

Sources of statistical information are Bloomberg and Ned Davis Research.