

Monthly Newsletter

October 2023



Monthly Market Recap

The anomaly called the September Effect was in full force this month, as we continue to see the markets struggle going into the fall season. The S&P 500 known for its historically weak performance in September since 1945 declined by 4.8%, its largest monthly drop in 2023. The DJIA also decreased by 3.4% and the NASDAQ moved lower by 5.8%.

Once again, the technology sector has gained investors' attention. This time, instead of more news on the exciting advances of artificial technology, the IPO market has sparked some interest. After a 21-month tech IPO freeze, September saw three anticipated debuts – Arm, Instacart, and Klaviyo – but the reaction lacked enthusiasm as investors have chosen to stay on the sidelines, waiting for more clarity on valuations.

The unemployment rate of 3.8% for August was up significantly from July and is the highest since February 2022. However, job growth also increased with the labor participation rate coming in at 62.8%, the highest since February 2020, breaking the five-month streak of holding steady at 62.6%. The slowdown in the labor market is in line with Fed expectations, showing that supply and demand in employment is finally becoming more balanced.

Inflation in August had its biggest monthly gain of 2023, with CPI rising 0.6% for the month and 3.7% from a year ago. PPI also rose 0.7% for the month. A major contributor to these increases has been the surge in pricing of both energy and food. Excluding these two factors, both Core CPI and PPI still show progress made toward lowering inflation. Aligning with market expectations, interest rates were held steady at the September policy meeting. Powell emphasized that the Fed would continue to proceed with caution, but more progress needs to be made. Indications still point to one more rate hike by the year end and look to start cutting interest rates for the first time in 2024.

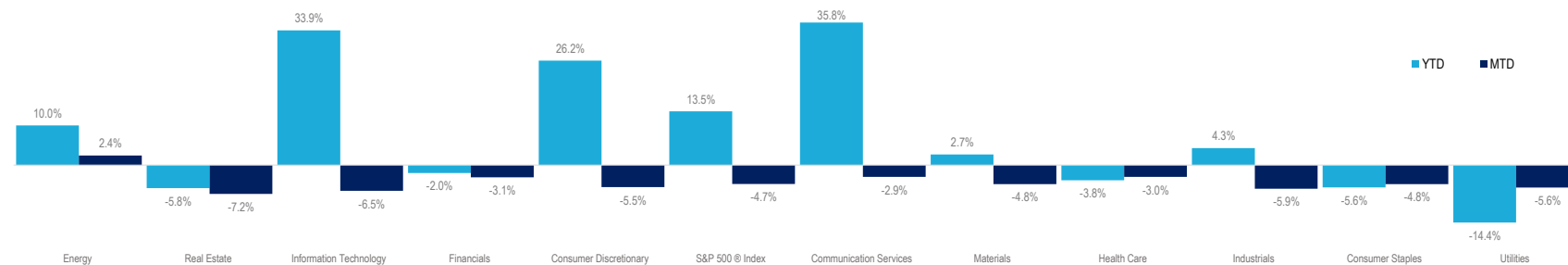
The next corporate earnings reporting season is starting this month, and earnings are projected to rebound after three-quarters of year-over-year declines. Retail sales remain positive and ISM, measuring business activity for the overall economy, has accelerated. As we expected moving into fall, consumer spending is beginning to see some signs of weakness. Personal savings rates have started to decline, and student loan repayments will resume October 1st after a pandemic-era pause that lasted over three years.

Going into October, investors are becoming more wary, while sentiment swings back and forth. As autoworkers continue their strike, oil prices surge, interest rates remain high and the possibility of a government shutdown, the U.S. economy continues to grow. We remain cautiously optimistic as we enter the fourth quarter, when stocks have typically posted their best returns since 1957.

	Index Return %	
Equities	MTD	YTD
S&P 500	-4.8%	13.1%
Russell 3000	-4.8%	12.4%
Nasdaq	-5.8%	27.1%
Dow Jones	-3.4%	2.7%
Fixed Income		
US Aggregate	-2.5%	-1.2%
US Corporate High Yield	-1.2%	5.9%
Economic Metrics		
	Rate %	
	Aug-23	
US Unemployment Rate	3.80%	
US Inflation Rate	3.67%	
Commodities		
	Levels	
	Aug-23	Sep-23
Oil (WTI)	83.55	89.68
Gold	1,942.30	1,870.50
DowJ. Commodity Index	1,005.25	1,002.86
Interest Rates		
	Rate %	
	Aug-23	Sep-23
10 Year Treasury Rate	4.09%	4.59%
30 Year Treasury Rate	4.20%	4.71%
30 Year Mortgage Rate	7.18%	7.31%
US Corp. AAA Effective Yield	4.87%	5.29%

All numbers reported are as of September 30 2023

Major Economic Events	Date
Employment Situation	6-Oct
Inflation Rate	12-Oct
FOMC Meeting	1-Nov



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Sources

S&P 500 Performance	https://ycharts.com/indices/%5ESPXTR/level
Russell 3000 Performance	https://ycharts.com/indices/%5ERUATR/level
Nasdaq Performance	https://ycharts.com/indices/%5ENA100TR/level
Dow Jones Performance	https://ycharts.com/indices/%5EDJITR
US Aggregate Performance	https://ycharts.com/indices/%5EBBUSATR
US Corporate High Yield Performance	https://ycharts.com/indices/%5EBBUSCOHYTR
US Unemployment Rate	https://ycharts.com/indicators/us_unemployment_rate
US Inflation Rate	https://ycharts.com/indicators/us_inflation_rate
10 Year Treasury Rate	https://ycharts.com/indicators/10_year_treasury_rate
30 Year Treasury Rate	https://ycharts.com/indicators/30_year_treasury_rate
30 Year Mortgage Rate	https://ycharts.com/indicators/30_year_mortgage_rate
US Corp. AAA Effective Yield	https://ycharts.com/indicators/us_corporate_aaa_effective_yield
European Markets Performance	https://russellinvestments.com/middle-east/global-market-outlook#ColorBoxesRoot_5c2d1932-eb2f-4ad5-a377-5c496b847736
Sectors & Industries Performance	https://ycharts.com
Dow Jones Commodity Index	https://ycharts.com/indices/%5EDJIC
Gold Price	https://ycharts.com/indicators/gold_price_in_us_dollar
Crude Oil Price	https://ycharts.com/indicators/wti_crude_oil_spot_price

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