



Montpelier, Vermont

WEEK OF OCTOBER 9, 2023

Market Update

Quick Hits

1. **Report releases:** Job growth remained strong but wages moderated in September.
2. **Financial market data:** Investors continued to favor cash-flush technology names amid rising yields.
3. **Looking ahead:** This week's data will provide insight into inflation, Federal Reserve (Fed) policy, and consumer sentiment.

Report Releases: October 2–6, 2023

ISM Manufacturing Index September (Monday)

Manufacturer confidence improved more than expected in September, bringing the index to its highest level since last November.

- Expected/prior ISM Manufacturing index: 47.9/47.6
- Actual ISM Manufacturing index: 49



ISM Services Index September (Tuesday)

Service sector confidence fell slightly less than expected during the month but remained in expansionary territory.

- Expected/prior ISM Services index: 53.5/54.5
- Actual ISM Services Index: 53.6



Trade Balance August (Thursday)

The trade deficit shrank to its smallest monthly level since 2020 as exports increased 1.6 percent and imports fell 0.7 percent.



Employment Report September (Friday)

Hiring accelerated in September; 336,000 added jobs marked the largest monthly increase since January. Despite the strong job growth, average hourly earnings growth slowed modestly.

- Expected/prior change in nonfarm payrolls: +170,000/+227,000
- Actual change in nonfarm payrolls: +336,000



>> The Takeaway

- Manufacturing and service businesses saw an uptick in confidence in September.
- The monthly employment report was stronger than expected.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.52%	0.52%	13.66%	20.38%
Nasdaq Composite	1.62%	1.62%	29.17%	27.20%
DJIA	-0.24%	-0.24%	2.48%	16.52%
MSCI EAFE	-1.85%	-1.85%	5.10%	20.97%
MSCI Emerging Markets	-1.61%	-1.61%	0.18%	7.20%
Russell 2000	-2.19%	-2.19%	0.29%	4.18%

Source: Bloomberg, as of October 6, 2023

Mega-cap names within communication services, technology, and health care were the main winners as rising yields pushed businesses with significant cash build-ups higher. The equally weighted S&P 500 index fell 1.2 percent whereas the traditional index rose roughly 0.5 percent. Underperforming sectors included energy, consumer staples, utilities, and real estate.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.17%	-2.36%	-0.28%
U.S. Treasury	-1.04%	-2.55%	-1.42%
U.S. Mortgages	-1.22%	-3.46%	-1.08%
Municipal Bond	-0.64%	-2.01%	1.17%

Source: Bloomberg, as of October 6, 2023

The back end of the yield curve continued its dramatic steepening. The stronger-than-expected employment report on Friday made the case for the continued strength of the U.S. economy, further supporting the back end of the curve. Treasury yields for the 10-year and 30-year rose 21 basis points (bps) and 23 bps, respectively, to close the week at 4.78 percent and 4.94 percent, respectively.

>> The Takeaway

- Intermediate and long-term bond yields continued to rise.
- A strong jobs report continued to make the case for the strength of the U.S. economy.

Looking Ahead

This week's data releases will provide insight into inflation, Fed policy, and consumer sentiment.

- The week kicks off Wednesday with the release of the **Producer Price Index report** and minutes from September's **Federal Open Market Committee (FOMC) meeting**. Producer inflation is expected to moderate during the month, with headline and core consumer price growth set to slow. The minutes from the Fed's meeting will be closely examined by economists and investors for hints regarding the path of monetary policy.
- On Thursday, the **Consumer Price Index report** for September will be released. Consumer inflation is expected to show signs of slowing growth, with monthly and year-over-year consumer price growth set to decelerate.
- Finally, Friday will wrap with the **preliminary University of Michigan consumer sentiment survey** for October. The first estimate for consumer sentiment is expected to show slightly lower confidence, with the index set to fall to a four-month low.





Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance

of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than \$50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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