



WEEK OF OCTOBER 30, 2023

Market Update

Quick Hits

1. **Report releases:** A rise in personal consumption fueled better-than-expected third-quarter growth.
2. **Financial market data:** Investors take a risk-off approach as long-term rates remain volatile.
3. **Looking ahead:** This week's data should provide insight into consumer confidence, Federal Reserve (Fed) policy, and employment.

Report Releases: October 23–27, 2023

S&P Global Preliminary PMI Estimate October (Tuesday)

Manufacturing and services fared better than expected, with U.S. services moving further into expansionary territory at 50.9 despite expectations for a level of 49.7. Manufacturing also beat expectations of 49.5, ending at 50.

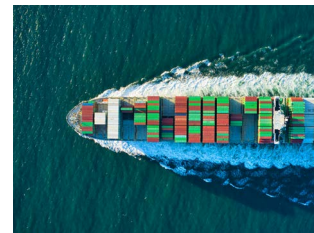
- Expected/prior month US PMI Composite: 50.2/50
- Actual US PMI Composite: 51



GDP (Annualized) Advanced Estimate Third Quarter (Thursday)

Economic growth accelerated more than expected in the third quarter as a rise in personal consumption growth and imports fueled the fastest quarterly economic growth since early 2021.

- Expected/prior month GDP growth: +4.5%/+2.1%
- Actual existing GDP growth: +4.9%



Preliminary Durable Goods Orders September (Thursday)

Headline and core durable goods orders improved more than expected, which is a good sign for business investment.

- Expected/prior durable goods orders monthly change: 1.9%/−0.1%
- Actual durable goods orders change: +4.7%
- Expected/prior core durable goods orders monthly change: 0.2%/0.5%
- Actual core durable goods orders change: +0.5%



Personal Spending and Personal Income September (Friday)

Personal income and spending continued to rise in September, with the larger-than-expected increase in spending marking six consecutive months with spending growth.

- Expected/prior personal income monthly change: +0.4%/+0.4%
- Actual personal income change: +0.3%
- Expected/prior personal spending monthly change: +0.5%/+0.4%
- Actual personal spending change: +0.7%



>> The Takeaway

- Economic data broadly surprised to the upside, which may make for a more difficult Fed meeting in November.
- Despite the upside surprise in data, core personal consumption expenditures in the third quarter reached 2.4 percent, closing in on the Fed's goal of 2 percent.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	-2.52%	-3.90%	8.66%	7.32%
Nasdaq Composite	-2.62%	-4.34%	21.59%	14.87%
DJIA	-2.14%	-3.16%	-0.51%	0.79%
MSCI EAFE	-0.76%	-4.19%	2.59%	14.32%
MSCI Emerging Markets	-0.61%	-3.41%	-1.65%	11.69%
Russell 2000	-2.60%	-8.25%	-5.91%	-9.97%

Source: Bloomberg, as of October 27, 2023

Global markets struggled as bond market volatility and conflict in the Middle East weighed on investors. Earnings were mixed, with UPS and Visa, normally proxies for global shipment and consumer spending, selling off amid volatile macroeconomic conditions and slower payment volumes. Alphabet also saw disappointing cloud results.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.28%	-2.48%	0.23%
U.S. Treasury	-0.88%	-2.39%	-0.61%
U.S. Mortgages	-1.88%	-4.10%	-1.34%
Municipal Bond	-0.89%	-2.26%	2.70%

Source: Bloomberg, as of October 27, 2023

The 10-year Treasury yield briefly moved above 5 percent last Monday before closing the week at 4.85 percent. The long end of the curve has been extremely volatile recently, with 10- and 30-year yields moving 30–40 basis points last month. Possible causes include the Fed's continued balance sheet tightening, international buyers stepping back, and continued growth in the government deficit.

>> The Takeaway

- Equities took a risk-off approach, with utilities, materials, and staples faring best.
- Long-term yields are expected to remain volatile as we await commentary from the Fed at its news conference on Wednesday.

Looking Ahead

This week's data releases should provide insight into consumer confidence, Fed policy, and employment.

- The week kicks off Tuesday with the release of the **Conference Board Consumer Confidence Index** for October. Consumer confidence is expected to drop, which would mark three consecutive months with declining confidence.
- On Wednesday, the **Federal Open Market Committee (FOMC)** will release its rate decision. The central bank is expected to keep the federal funds rate unchanged at its November meeting, though Fed chair Jerome Powell could signal a potential rate hike at the post-meeting news conference.
- Finally, on Friday, the week will wrap with the **employment report** and **ISM Services index** for October. Economists expect to see that a solid 175,000 jobs were added following an unexpected hiring surge in September. Service sector confidence is set to fall modestly but remain in expansionary territory.





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Authored by the Investment Research team at Commonwealth Financial Network®

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