



Guthrie, Oklahoma

WEEK OF OCTOBER 16, 2023

# Market Update

## Quick Hits

1. **Report releases:** Hiring surged, with 336,000 jobs added during September.
2. **Financial market data:** Long-term Treasuries rallied because of uncertainty in the Middle East and lower valuations.
3. **Looking ahead:** This week's data should provide insight into retail sales, industrial production, and the housing market.

## Report Releases: October 9–13, 2023

### Producer Price Index (PPI) September (Wednesday)

Headline and core producer prices increased more than expected, due in part to rising oil and gas prices.

- Prior monthly PPI/core PPI growth: +0.7%/+0.2%
- Expected monthly PPI/core PPI growth: +0.3%/+0.2%
- Actual monthly PPI/core PPI growth: +0.5%/+0.3%
- Prior year-over-year PPI/core PPI growth: +2%/+2.5%
- Expected year-over-year PPI/core PPI growth: +1.6%/+2.3%
- Actual year-over-year PPI/core PPI growth: +2.2%/+2.7%



### Federal Open Market Committee Meeting Minutes September (Wednesday)

The minutes from the Federal Reserve's (Fed's) September meeting showed the central bank remains committed to combating inflation through restrictive monetary policy despite uncertainty surrounding future economic conditions.



### Consumer Price Index (CPI) September (Thursday)

Headline consumer inflation remained unchanged on a year-over-year basis, whereas core consumer inflation fell to a two-year low.

- Prior monthly CPI/core CPI growth: +0.6%/+0.3%
- Expected monthly CPI/core CPI growth: +0.3%/+0.3%
- Actual monthly CPI/core CPI growth: +0.4%/+0.3%
- Prior year-over-year CPI/core CPI growth: +3.7%/+4.3%
- Expected year-over-year CPI/core CPI growth: +3.6%/+4.1%
- Actual year-over-year CPI/core CPI growth: +3.7%/+4.1%



### Preliminary University of Michigan Consumer Sentiment Index October (Friday)

Consumer sentiment fell more than expected because of worsening consumer views on current and future economic conditions.

- Expected/prior month consumer sentiment index: 67/68.1
- Actual consumer sentiment index: 63



## >> The Takeaway

- Producer and consumer prices remained elevated due to a rebound in commodity prices.
- Sentiment was lower than expected as consumers' inflation expectations worsened slightly.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.47%	0.99%	14.19%	22.82%
Nasdaq Composite	-0.18%	1.44%	28.94%	31.05%
DJIA	0.79%	0.54%	3.29%	16.08%
MSCI EAFE	0.97%	-0.90%	6.12%	23.82%
MSCI Emerging Markets	1.51%	-0.12%	1.69%	13.14%
Russell 2000	-1.47%	-3.63%	-1.18%	3.84%

Source: Bloomberg, as of October 13, 2023

Emerging market equities outperformed their international counterparts on news that China could let local governments issue special bonds to provide stimulus sooner than expected. The local bonds, if approved by China's National Congress next week, would begin issuance in January and February. Developed international stocks also responded well to this news because of their higher exposure to China. Since reopening in December 2022, China's economy has faced problems in the property sector, elevated youth unemployment, and low consumer confidence.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-0.23%	-1.43%	1.88%
U.S. Treasury	-0.09%	-1.61%	0.30%
U.S. Mortgages	-0.49%	-2.74%	1.22%
Municipal Bond	0.58%	-0.82%	2.37%

Source: Bloomberg, as of October 13, 2023

The back end of the yield curve relinquished some of its movement from earlier weeks; 10- and 30-year Treasury yields declined amid uncertainty over the conflict in the Middle East and lower valuations. Yields for the 10- and 30-year fell 17 basis points (bps) and 18 bps, respectively, to close the week at 4.63 percent and 4.78 percent, respectively.

## >> The Takeaway

- Potential for further Chinese stimulus led to international outperformance.
- Uncertainty regarding the Middle East conflict and lower valuations buoyed long-term Treasuries.

## Looking Ahead

This week's data releases will provide insight into retail sales, industrial production, and the housing market.

- The week kicks off Tuesday with the release of **retail sales** and **industrial production reports** for September. Retail sales are set to grow modestly after a larger-than-expected increase in August. Industrial production is expected to remain unchanged, whereas manufacturing production is set to fall.
- On Wednesday, **building permits and housing starts** for September will be released. These two measures of new home construction are expected to be mixed, with permits set to fall and starts anticipated to rebound.
- Finally, the second half of the week will wrap with **existing home sales** for September. Sales are set to fall for the fourth consecutive month as rising prices and mortgage rates continue to weigh on prospective homebuyers.





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

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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<sup>®</sup> Index measures the performance of the 2,000 smallest companies in the Russell 3000<sup>®</sup> 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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