



## MARKET VIEW WEEKLY

October 6<sup>th</sup>, 2023



### ECONOMIC REVIEW<sup>1</sup>

- The economy added 336,000 jobs in September according to the change in Nonfarm payrolls, surging past expectations.
  - This marks 33 straight months of job growth in the U.S. as the labor market has been strong despite economic conditions gradually worsening throughout the year.
  - The increase in payrolls came from both public and private sectors and was reflected in both the goods and services side of the economy which points to robust overall growth.<sup>2</sup>
- Average hourly earnings rose 0.2% on a month-over-month basis, which fell short of the 0.3% expectation.
  - On a yearly basis, average hourly earnings edged down to 4.2% from last month's 4.3% reading.
  - The Federal Reserve (Fed) is closely watching these numbers because continued wage growth over the rate of inflation could cause a short-term rise in prices and may warrant an additional hike to rates before the year is over.
- The unemployment rate remains near its all-time low for another month, holding steady at 3.8%.
  - In addition to a low unemployment rate, the underemployment rate moved down from last month to 7.0% from 7.1% in August.
- The Job Openings and Labor Turnover Survey (JOLTS) report showed that the number of job openings increased significantly in the past months, growing to 9.61 million jobs open in the economy. This was an increase of over 500,000 jobs from last month's 8.92 million reading.
- The JOLTS report also measures job quits, which rose slightly to 3.64 million, from 3.62 million in August.
  - An increase in the quit rate typically shows that employees are confident they can find another job easily.
- This month's labor report was strong and continues to show the economy's resilience that was not forecasted coming into the year.

#### How does labor data impact you?

- Strong employment numbers contribute to the expansion of the economy by gainfully employing consumers and padding their savings, which have been largely depleted as pandemic-era savings were drawn out over the past few years.
- The Fed takes labor data as one of its main concerns. Ensuring the American workforce remains employed is a key indicator of the current health of the economy.
  - The labor report coming in stronger than expected also leaves the door open for the Fed to raise the Federal Funds Rate an additional time before the year is done.



### A LOOK FORWARD<sup>1</sup>

- Next week is an important one, as it will see the release of key inflation data. The Consumer Price Index (CPI), and Producer Price Index (PPI) will be released.

#### How do inflation data impact you?

- The Fed has a dual mandate to ensure price stability and maximum employment. That makes inflation data, price stability, half of their job.
- Whether or not the Fed raises rates at their next meeting should strongly depend on how the inflation data comes in.
  - Energy prices, which drove the last reading up, will be in the spotlight of investors within the inflation report.



## MARKET UPDATE<sup>3</sup>

Market Index Returns as of 10/06/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.52%	0.52%	13.66%	20.38%	9.73%	10.24%
NASDAQ	1.62%	1.62%	29.17%	27.20%	6.55%	12.50%
Dow Jones Industrial Average	-0.24%	-0.24%	2.48%	16.52%	7.85%	7.09%
Russell Mid-Cap	-1.13%	-1.13%	2.74%	9.42%	6.17%	6.59%
Russell 2000 (Small Cap)	-2.19%	-2.19%	0.29%	4.18%	4.05%	2.73%
MSCI EAFE (International)	-1.85%	-1.85%	5.10%	20.97%	4.55%	3.34%
MSCI Emerging Markets	-1.61%	-1.61%	0.18%	7.20%	-3.04%	1.15%
Bloomberg US Agg Bond	-1.17%	-1.17%	-2.36%	-0.28%	-5.48%	0.06%
Bloomberg High Yield Corp	-1.21%	-1.21%	4.58%	7.42%	1.01%	2.80%
Bloomberg Global Agg	-1.03%	-1.03%	-3.21%	1.59%	-7.21%	-1.62%



## OBSERVATIONS

- This marks a second straight week of positive returns for the tech-heavy NASDAQ, and a second straight week of declines for the blue-chip oriented Dow Jones.
  - Small caps, however, were punished the most of all firm sizes.
- International Developed and Emerging Market equities broadly underperformed domestic stocks, returning -1.85% and -1.61%, respectively.
- Bonds had another difficult week as yields continued to push higher; the 10-year treasury yield touched 4.89%, although it finished the week lower.
  - The rate increase led domestic bonds to fall -1.17% and international bonds fared just as poorly returning -1.03%.



## BY THE NUMBERS

- **Fat Bear Week is Back to Crown Alaska's Fattest Brown Bear:** The National Park Service hosts Fat Bear Week as a celebration of the behemoth bears that live along the Brooks River, home to one of the most well-known migrations, the Salmon Run. Fat Bear Tuesday was launched in 2014, but after it garnered so much attention, it was revamped to take up a whole week, and act as an elimination bracket in 2015. The competition kicked off on October 4<sup>th</sup>, and the winner will be announced on October 10<sup>th</sup>. Last year's contest was shrouded in controversy after a spam campaign was launched to disrupt the election. Despite the hijinks, a winner was declared last year by a narrow 8.98% margin. Bear "747", who was expected to weigh a whopping 1,400 pounds was declared victorious. He will face stiff competition this year from "32 Chunk", and others who gorge on salmon before going into hibernation for the winter.<sup>4</sup>
- **Kevin McCarthy Ousted as House Speaker in Historic Vote:** Kevin McCarthy was removed from his position as Speaker of the House of Representatives. This marks the first time a Speaker has been removed from the House. Matt Gaetz, the Republican Representative from Florida launched the vote to remove McCarthy. Gaetz, who has criticized McCarthy as of late, claimed he had broken his word to conservatives on government spending bills. Because Republicans held the house by such a thin margin (221-212 seats), Gaetz only needed a handful of votes to succeed in removing McCarthy. The move came days after a short-term government spending bill was passed that put off a government shutdown for another 40 days. Rep. Patrick McHenry (R., N.C.) is the Speaker Pro Tempore of the House until a new vote can be held. There is no clear front runner in the candidacy for speaker, although McCarthy has signaled he will not run again. His confirmation hearing to the Speaker position took 15 rounds of voting which set a record within the House of Representatives.<sup>5</sup>

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## *Economic Definitions*

**Federal Reserve (Fed):** The Federal Reserve System is the central banking system of the United States of America.

**Job Openings – JOLTS:** This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

**Job Quits – JOLTS:** This concept tracks the number of employees who leave work voluntarily. This figure does not include layoffs or discharges that are initiated by the employer, nor strikes or transfers even if they are initiated by the employee.

**US Employment Report:** Also known as the employment situation summary, presents statistics from two monthly surveys. The household survey measures labor force status, including unemployment, by demographic characteristics. The establishment survey measures nonfarm employment, hours, and earnings by industry.

**Nonfarm Payrolls:** This indicator measures the number of employees on business payrolls. It is also sometimes referred to as establishment survey employment to distinguish it from the household survey measure of employment.

**Unemployment Rate:** The unemployment rate tracks the number of unemployed persons as a percentage of the labor force (the total number of employed plus unemployed). These figures generally come from a household labor force survey.

**Underemployment Rate:** The underemployment rate counts those who are unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all marginally attached workers. These figures generally come from a household labor force survey.

**Producer Prices - PPI (headline and core):** Producer prices (output) are a measure of the change in the price of goods as they leave their place of production (i.e. prices received by domestic producers for their outputs either on the domestic or foreign market).

**CPI (headline and core):** Consumer prices (CPI) are a measure of prices paid by consumers for a market basket of consumer goods and services. The yearly (or monthly) growth rates represent the inflation rate.

**Average Hourly Earnings:** This is a measure of the average hourly earnings of all private employees on a “gross” basis, including premium pay for overtime and late-shift work. These differ from wage rates in that average hourly earnings measure the actual return to a worker for a set period of time, rather than the amount contracted for a unit of work, the wage rate.

## *Index Definitions*

**S&P 500:** The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**NASDAQ:** The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

**Dow Jones Industrial Average:** The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Russell Mid-Cap:** Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represents approximately 25% of the total market capitalization of the Russell 1000 Index.

**Russell 2000:** The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

**MSCI EAFE:** The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

**MSCI EM:** The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

**Bloomberg Barclays US Agg Bond:** The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

**Bloomberg Barclays High Yield Corp:** The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

**Bloomberg Barclays Global Agg:** The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

**Bloomberg Barclays Municipal Bond Index:** The Bloomberg Barclays U.S. Municipal Index covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and prerefunded bonds.

### *Disclosures*

Index performance does not reflect the deduction of any fees and expenses, and if deducted, performance would be reduced. Indexes are unmanaged and investors are not able to invest directly in any index. Past performance cannot guarantee future results.

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<sup>1</sup> Data obtained from Bloomberg as of 10/06/2023.

<sup>2</sup> [Jobs Report: Hiring Surge Keeps Door Open for Fed to Increase Rates - WSJ](#)

<sup>3</sup> Data obtained from Morningstar as of 10/06/2023.

<sup>4</sup> [Fat Bear Week is back to crown Alaska's fattest brown bear \(yahoo.com\)](#)

<sup>5</sup> [Kevin McCarthy Ousted as House Speaker in Historic Vote - WSJ](#)

