



## MARKET VIEW WEEKLY

October 27<sup>th</sup>, 2023



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

- Real Gross Domestic Product (GDP) grew at an impressive 4.9% annual rate in the third quarter and is now up 2.9% from a year ago.
  - Consumer spending was particularly strong in Q3, growing at a 4.0% annual rate.
- “Core” GDP, which includes consumer spending, business fixed investment, and home building while excluding government purchases, inventories, and international trade, increased at a respectable 3.3% annual rate.
  - However, many economists and forecasters still see a material slowdown in growth as well as a possible recession sometime next year, and early cracks in critical measures are beginning to show.
- Business fixed investment declined slightly, indicating corporate expectations of falling growth.
  - Additionally, government purchases should decline after a recent surge, and inventory accumulation is expected to slow after the Q3 ramp-up to the holiday season.
- The Personal Consumption Expenditure (PCE) Price Index increased 0.4% in September, leaving the year-over-year comparison unchanged from the previous month at 3.4%. Look for these figures to fall next month with the decline in oil prices seen through October.
  - “Core” PCE, the Federal Reserve’s (Fed’s) preferred inflation gauge, rose 0.3% in September, although the annual rate ticked down to 3.7%.

#### How do GDP and PCE impact you?

- Strong consumer spending supported a notable Q3 GDP print despite a general increase in inflation measures since this summer.
  - Rising incomes and a general propensity to spend will likely force the Fed to remain hawkish given the worry of reaccelerating inflation.
- Stubborn “Super Core” inflation – services only (no goods) and excluding food, energy, and housing – rose 0.4% last month and is up 4.3% from a year ago, which is down less than 1.0% from its peak in October 2022.



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

- This week is another critical one for jobs with several key labor market indicators released in the coming days.
  - ADP employment and job openings kick things off on Wednesday, followed by initial jobless claims on Thursday, after which the U.S. employment report closes out the week on Friday.
- The Fed will meet for yet another critical rate decision on Tuesday and Wednesday this week.

#### How does employment data impact you?

- Employment data is some of the most crucial information for the Fed in these final stages of its monetary tightening cycle.
  - These figures should give some indication of how hawkish the Fed will have to be in their coming meetings, potentially providing some clarity over whether the central bank plans to hike again before the end of the year.



## MARKET UPDATE<sup>2</sup>

Market Index Returns as of 10/27/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	-2.52%	-3.90%	8.66%	7.32%	9.68%	11.04%
NASDAQ	-2.62%	-4.34%	21.59%	14.87%	5.55%	13.01%
Dow Jones Industrial Average	-2.14%	-3.16%	-0.51%	0.79%	9.11%	7.92%
Russell Mid-Cap	-2.67%	-6.35%	-2.69%	-2.76%	5.54%	7.41%
Russell 2000 (Small Cap)	-2.60%	-8.25%	-5.91%	-9.97%	3.31%	3.37%
MSCI EAFE (International)	-0.76%	-4.19%	2.59%	14.32%	5.19%	4.51%
MSCI Emerging Markets	-0.61%	-3.41%	-1.65%	11.69%	-4.01%	2.05%
Bloomberg US Agg Bond	0.68%	-1.28%	-2.48%	0.23%	-5.57%	-0.09%
Bloomberg High Yield Corp	0.40%	-1.46%	4.32%	5.47%	1.06%	3.00%
Bloomberg Global Agg	0.42%	-0.93%	-3.11%	1.34%	-7.40%	-1.71%



## OBSERVATIONS

- Stocks fell both domestically and internationally, although equities held up much better abroad than at home.
  - All major indices in the U.S. declined more than 2.0% with small caps, mid-caps, and the tech-heavy NASDAQ leading the way down.
  - International stocks shed 0.76% and 0.61% for developed and emerging markets, respectively.
- Treasury yields dropped some last week leading to positive bond returns domestically, internationally, and across the credit spectrum.
  - U.S. bonds led the way higher as the Aggregate Bond Index climbed 0.68%.



## BY THE NUMBERS

- **Higher Bond Yields Could End the Fed's Historic Rate Rises:** Federal Reserve officials have said for more than a year that beating inflation could require them to hold interest rates higher for longer than investors expected. The swift run-up in long-term Treasury yields—to around 5% from 4% in early August—suggests Wall Street now agrees. As a result, borrowing costs for U.S. businesses and households are rising in ways that could allow the Fed to suspend its historic run of interest-rate increases. Because a resilient economy threatens to slow recent progress on inflation, the impact of higher yields on the economy is set to feature prominently in deliberations at the Fed's two-day policy meeting that begins Tuesday. The central bank, which lifted its benchmark short-term rate to a 22-year high in July, is expected to hold it steady this week. Since March 2022, the Fed has raised interest rates at the fastest pace in four decades to combat soaring inflation.<sup>3</sup>
- **Israeli Forces Make Major Advance Toward Gaza City:** TEL AVIV—Israeli tanks and infantry pushed into the outskirts of Gaza City and temporarily blocked one of the main roads connecting the northern part of the Gaza Strip to the south, a major advance that appeared aimed at encircling the enclave's biggest population center. Israeli ground troops entered Gaza late last week, starting a new phase in its war to eradicate Islamist militant group Hamas. Hamas fighters killed around 1,400 people and took more than 220 hostages in a series of attacks inside Israel earlier this month. The Israeli military has been urging Gaza residents to move south, as the enclave's north increasingly turns into a battlefield. It has also continued its air bombardment of Gaza and allowed only limited amounts of food, medicine and drinking water to reach the territory's two million residents.<sup>4</sup>

---

## *Economic Definitions*

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

**GDP:** Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

**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.

**PCE (headline and core):** PCE deflators (or personal consumption expenditure deflators) track overall price changes for goods and services purchased by consumers. Deflators are calculated by dividing the appropriate nominal series by the corresponding real series and multiplying by 100.

**Personal Income:** Consumer or Household Income (often referred to as personal income) tracks all income received by households including such things as wages and salaries, investment income, rental income, transfer payments, etc. This concept is not adjusted for inflation.

**Personal Spending:** Consumer or Household Spending (also referred to as consumption) tracks consumer expenditures on goods and services. This concept is not adjusted for inflation.

**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.

## *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 into any index. Past performance cannot guarantee future results.

The statements provided herein are based solely on the opinions of the Osaic Research Team and are being provided for general information purposes only. Neither the information nor any opinion expressed constitutes an offer or a solicitation to buy or sell any securities or other financial instruments. Any opinions provided herein should not be relied upon for investment decisions and may differ from those of other departments or divisions of Osaic Wealth, Inc. or its affiliates. Certain information may be based on information received from sources the Osaic Research Team considers reliable; however, the accuracy and completeness of such information cannot be guaranteed.

Certain statements contained herein may constitute "projections," "forecasts" and other "forward-looking statements" which do not reflect actual results and are based primarily upon applying retroactively a hypothetical set of assumptions to certain historical financial information. Any opinions, projections, forecasts and forward-looking statements presented herein reflect the judgment of the Osaic Research Team only as of the date of this document and are subject to change without notice. Osaic has no obligation to provide updates or changes to these opinions, projections, forecasts and forward-looking statements. Osaic is not soliciting or recommending any action based on any information in this document.

Securities and investment advisory services are offered through the firms: FSC Securities Corporation, Osaic Wealth, Inc., Triad Advisors, LLC, Osaic Institutions, Inc., and Woodbury Financial Services, Inc., broker-dealers, registered investment advisers, and members of FINRA and SIPC. Securities are offered through Securities America, Inc., American Portfolios Financial Services, Inc., and Ladenburg Thalmann & Co., broker-dealers and member of FINRA and SIPC. Advisory services are offered through Arbor Point Advisors, LLC, American Portfolios Advisors, Inc., Ladenburg Thalmann Asset Management, Inc., Securities America Advisors, Inc., and Triad Hybrid Solutions, LLC, registered investment advisers. Advisory programs offered by FSC Securities Corporation, Osaic Wealth, Inc., Securities America Advisors, Inc., Triad Advisors, LLC, and Woodbury Financial Services, Inc., are sponsored by VISION2020 Wealth Management Corp., an affiliated registered investment adviser 6059968

<sup>1</sup> Data obtained from Bloomberg as of 10/27/2023.

<sup>2</sup> Data obtained from Morningstar as of 10/27/2023.

<sup>3</sup> [Higher Bond Yields Could End the Fed's Historic Rate Rises - WSJ](#)

<sup>4</sup> [Israeli Forces Make Major Advance Toward Gaza City - WSJ](#)



**60 Barrett Drive, Suite G  
Webster, NY 14580**

Phone (585) 265-2870

Fax (585) 265-2885

[www.emeraldinc.com](http://www.emeraldinc.com)

*Securities offered through Securities America, Inc., a Registered Broker/Dealer, Member FINRA/SIPC. Advisory services offered through Securities America Advisors, Inc., an SEC Registered Investment Advisory Firm. The Securities America Companies and Emerald Financial Services are separate entities.*