



MARKET VIEW WEEKLY

November 3rd, 2023



ECONOMIC REVIEW¹

- The Federal Reserve (Fed) decided to hold interest rates at their current level, 5.25% - 5.50%.
 - The decision to keep rates unchanged was largely anticipated by financial markets.
 - For further context, the Fed has not raised rates since July, despite continually strong economic data and moderately increasing inflation
 - The next time the Fed meets is in December, and the market, as measured by CME Fed Funds Futures contracts, is pricing in a 90.2% chance of another pause, and a 9.8% chance of a hike. ²
- October's labor data was also released last week, and the results showed initial signs of weakening in a labor market that has been strong throughout the year.
 - Nonfarm payrolls rose by 150,000, coming in below analyst expectations of 180,000.
 - Over the past two months, there have been downward revisions of 101,000, signaling initial estimates may be too optimistic.
 - The unemployment rate also rose this month, ticking up 3.9%, from its previous 3.8%, and off its all-time low earlier this year of 3.4%.
 - The overall participation rate slipped lower in October, down to 62.7% from last month's 62.8%.

How does the Fed and labor data impact you?

- Interest rates have risen historically fast over the past year and a half; as the Fed comes to the end of its hiking cycle, markets can start to look forward to an environment where the Fed is out of the way.
- The consumer is core to the U.S. economy, with consumer consumption making up around 2/3 of the U.S. economy as a whole.
 - Consumer spending is driven by strong wages and healthy employment figures, both of which we are still seeing in the economy.
- A moderation in labor data may give an incentive for the Fed to keep rates unchanged at their next meeting and could mark the end of their hiking cycle if inflation moves in lockstep



A LOOK FORWARD¹

- Although this week is not as packed with data as the previous week, it does see the latest University of Michigan Consumer Sentiment figure being released.
 - This will be the preliminary data from November that is subject to revisions throughout the month.
 - Consumer sentiment will be released next Friday.

How does consumer sentiment data impact you?

- Consumer sentiment gives insight into the health of the heart of the economy.
 - It gives a glimpse into what consumers think of their finances, as well as the economy around them.
 - Most importantly, it considers consumer inflation expectations, which the Fed seeks to control.



MARKET UPDATE³

Market Index Returns as of 11/03/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	5.88%	1.75%	15.05%	17.52%	9.89%	11.78%
NASDAQ	6.62%	1.99%	29.64%	29.76%	5.97%	13.87%
Dow Jones Industrial Average	5.07%	1.75%	4.53%	7.38%	9.13%	8.48%
Russell Mid-Cap	6.41%	-0.34%	3.55%	5.63%	6.09%	7.88%
Russell 2000 (Small Cap)	7.59%	-1.28%	1.23%	-0.62%	4.27%	4.01%
MSCI EAFE (International)	4.43%	0.05%	7.13%	17.91%	5.36%	4.72%
MSCI Emerging Markets	3.12%	-0.40%	1.42%	10.03%	-3.44%	1.47%
Bloomberg US Agg Bond	1.99%	0.68%	-0.53%	3.04%	-5.04%	0.46%
Bloomberg High Yield Corp	2.76%	1.26%	7.20%	9.73%	1.51%	3.51%
Bloomberg Global Agg	1.93%	0.99%	-1.24%	4.29%	-6.84%	-1.21%



OBSERVATIONS

- Stocks had a major rebound, with all three major U.S. equity indices up over 5% on the week, prompted by falling bond yields.
 - Small caps lead the way, rising 7.59%, Emerging Markets lagged the most but still posted a 3.12% gain.
 - This week buoyed the S&P 500, NSADAQ, and Dow Jones into positive territory for the quarter.
- Treasury yields dropped some last week leading to positive bond returns domestically, internationally, and across the credit spectrum.
 - High-yield bonds led the way higher as the Bloomberg High Yield Corporate Bond Index climbed 2.76%.



BY THE NUMBERS

- **Sam Bankman-Fried Is Convicted of Fraud in FTX Collapse.** The crypto exchange abruptly crashed a year ago, with customers losing billions of dollars. Bankman-Fried, 31 years old, was indicted in December 2022. Bankman-Fried was accused by the prosecution of being a billionaire who lied to customers, investors and lenders while flying on private jets and hobnobbing with current and former heads of state. Bankman-Fried's defense tried a few different methods to cast a reasonable doubt, first, that the collapse of the exchange was caused not by negligence or fraud but simply poor management. The defense also made a plea to the judge to allow the argument that Bankman-Fried was led wrong by his council during his tenure as CEO of FTX, the judge disallowed this evidence to be presented in front of a jury. Bankman-Fried's demeanor was described as "unbothered and entitled" and received multiple warnings from the judge after answering "I don't recall" over 140 times. His sentencing is in March of 2024.⁴
- **The Texas Rangers Win the World Series:** Their 5-0 win over the Diamondbacks on Wednesday lead them to a 4-1 series win. This was the first world series win in Rangers' history, despite a heartbreaking loss in the 2011 world series where the Rangers were one strike away from winning on two separate occasions, but ultimately fell to the St. Louis Cardinals. The 2023 season was not anticipated to be a franchise defining year, rather a continued rebuild after the team lost 102 games in 2021, and 94 in 2022. The unlikely victor posted only 90 victories in the regular season, before making a statement into the postseason beating strong teams like the Tampa Bay Rays, Baltimore Orioles, and Houston Astros. The Rangers also won an unprecedented 11 straight on the road during the postseason paving the way to the world series win.⁵

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.

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.

University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

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.

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.

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¹ Data obtained from Bloomberg as of 11/03/2023.

² [CME FedWatch Tool - CME Group](#)

³ Data obtained from Morningstar as of 11/03/2023.

⁴ [Sam Bankman-Fried Found Guilty of All Seven Counts in Fraud Trial - WSJ](#)

⁵ [The Texas Rangers Win the World Series - WSJ](#)