



## MARKET VIEW WEEKLY

October 13<sup>th</sup>, 2023



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

- Headline inflation came in a bit hotter than consensus estimates in September with the Consumer Price Index (CPI) coming in at 0.4% versus expectations for a 0.3% gain.
  - However, price growth showed signs of month-over-month deceleration, coming down from 0.6% in August.
  - Energy played a smaller role in September with prices rising 1.5% vs 5.6% last month, while food prices increased 0.2% for the third straight month.
    - Energy prices are up at an annualized rate of 33% over the past three months.
- CPI held steady year-over-year at 3.7%, demonstrating that while progress has been made, further progress may be harder fought.
- Core CPI, which strips out the more volatile energy and food prices components, reported in line with expectations at 0.3%
  - Core goods prices declined 0.4%, marking the fourth consecutive month of decline.
    - Driving the decline was a surprising 2.5% dip in used car prices.
  - Core services have yet to see that same downward trend seen in goods, accelerating to 0.6%
    - A sharp increase in owners' equivalent rents was the primary culprit; primary rents remained at 0.5%.
- Year-over-year core inflation came in at 4.1%, the slowest pace in two years, and down from last month's 4.3%.
- Super core, which looks at services prices excluding shelter, fell to 3.9% YoY, its first reading below 4% since December of 2021.
  - Month-over-month super core reaccelerated to 0.6%, the first reading over 0.4% since March of this year.
- Producer prices climbed 0.5% in September according to the Producer Price Index (PPI) report, coming in hotter than street consensus.
- The core PPI index, which strips out the more volatile food and energy categories rose a mild 0.3% month over month.
  - Goods prices outpaced service costs for the second straight month.

#### How does inflation data impact you?

- It is becoming more evident that the progress seen in bringing down inflation from 2022's highs has slowed.
- While there are some encouraging signs being made in goods disinflation, services are a bit more of a headache with rent disinflation stalled.
  - Inflation is still hovering well above the Fed's 2% inflation target, forcing the Fed to hold rates higher for longer to bring the economy to heel.



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

- Next week, we will receive insights into consumer spending when September's Retail Sales numbers are released.

#### How does consumer spending data impact you?

- Consumer spending drives about 2/3<sup>rd</sup> of the U.S. economy and has remained resilient most of the year.
- A strong print could hint inflation is on the rebound, pressing the Fed to hold rates higher for longer.
- Weaker than expected numbers could signal an economic downturn on the horizon.



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

Market Index Returns as of 10/13/2023	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500	0.47%	0.99%	14.19%	22.82%	9.15%	11.26%
NASDAQ	-0.18%	1.44%	28.94%	31.05%	5.25%	13.32%
Dow Jones Industrial Average	0.79%	0.54%	3.29%	16.08%	7.86%	8.17%
Russell Mid-Cap	-0.07%	-1.19%	2.67%	12.20%	5.62%	7.61%
Russell 2000 (Small Cap)	-1.47%	-3.63%	-1.18%	3.84%	3.30%	3.53%
MSCI EAFE (International)	0.97%	-0.90%	6.12%	23.82%	4.44%	4.37%
MSCI Emerging Markets	1.51%	-0.12%	1.69%	13.14%	-3.35%	1.87%
Bloomberg US Agg Bond	0.95%	-0.23%	-1.43%	1.88%	-5.31%	0.16%
Bloomberg High Yield Corp	0.53%	-0.68%	5.14%	9.20%	1.00%	3.00%
Bloomberg Global Agg	0.69%	-0.34%	-2.54%	3.77%	-7.22%	-1.60%



## OBSERVATIONS

- The blue-chip-oriented Dow Jones Industrial Average led domestic equity gainers this week returning +0.79%, outpacing the S&P 500 which returned +0.47%
  - The tech-focused NASDAQ declined slightly returning -0.18%.
  - Small Caps fared the worst domestically, falling -1.47%.
- International Developed and Emerging Market equities outperformed domestic stocks, returning +0.97% and +1.51% respectively.
- Treasury yields, which have been rising lately and pushing stocks down, declined to 4.628% to close the week.
- US Bonds moved higher notching a +0.95% mark on the week, outperforming Global Bonds, which were +0.69%.
  - High Yield Credit also moved higher for the week +0.53%.



## BY THE NUMBERS

- **Petit Le Mans:** The Petit Le Mans is known for surprise endings and this year's race had several. In the first unexpected development, the Acura team of Meyer Shank Racing, down two laps at one point, won the 10-hour event. This was accomplished with an ambitious pass by Colin Braun at Turn 1 and an energy gamble, running one hour and 21 minutes after its final pit stop with the help of three full-course cautions. The second surprising twist was Acura driver Felipe Albuquerque's odd decision to attempt an outside pass of the Action Express Racing team's Pipo Derani in Turn 1 with 72 minutes remaining. Contact sent Albuquerque's ARX-06 into the wall. As a result, Cadillac V-Series.R drivers Derani and Alexander Sims won the first GTP driver's title in the WeatherTech Championship's inaugural hybrid season. Another surprise was Cadillac's Chip Ganassi Racing choosing an even more risky pit strategy than the winning Acura squad, a move that earned the manufacturer's championship for Cadillac.<sup>3</sup>
- **Pumpkin Paddling** A Missouri man has squashed the world record for the longest voyage by pumpkin boat — a gourdian feat that saw him paddle 38 miles in a 1,293-pound pumpkin. Like the brave explorers who rowed from Kaw Point into the perilous unknown nearly 200 years before, Steve Keuny struck out from Lewis and Clark Park at the confluence of the Missouri and Kansas Rivers at sunrise Monday, undaunted at the helm of a giant hollow pumpkin. Armed with a set of kayak paddles and some sandbags for added stability, Keuny rowed and drifted in the pitching pumpkin for 11 hours until he arrived safely at Napoleon, Missouri, beating out the previous record set by Duane Hansen last year by about half a mile and nearly 500 pounds. Kueny spent all summer growing Huckle Berry in his garden, he told USA Today, just one of several giant pumpkins he's reared there since picking up the hobby during the pandemic. By the time it was big enough for the voyage, Huckle Berry measured 13 feet, 6 inches in circumference, and was about 8 inches thick all around. It took 45 minutes to scoop out all the seeds, and Keuny didn't even take it for a test ride before he made his record attempt.<sup>4</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.

**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.

**CPI (super core):** Consumer prices (CPI) super core excludes rent of primary residence and owners' equivalent rent of residence from services ex-energy services.

**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).

**Retail Sales:** Retail sales (also referred to as retail trade) tracks the resale of new and used goods to the general public, for personal or household consumption. This concept is based on the value of goods sold.

## *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 10/13/2023.

<sup>2</sup> Data obtained from Morningstar as of 10/13/2023.

<sup>3</sup> [Petit Le Mans Results, Final Standings \(autoweek.com\)](http://PetitLeMansResults.FinalStandings.autoweek.com)

<sup>4</sup> [Pumpkin Paddling \(nypost.com\)](http://PumpkinPaddling.nypost.com)



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

Phone (585) 265-2870

Fax (585) 265-2885

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

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