

# Monthly Commentary & Economic Outlook



## November 1, 2023

Equity markets declined in October, as the S&P 500 was down -2.10%, US small caps -5.74%, US mid-caps -5.34%, international developed -4.31%, and emerging markets -4.02%<sup>1</sup>. The US Aggregate Bond Index declined -1.58% in October<sup>1</sup>.

The Israel-Hamas war has added to market volatility in October. The war has been a nightmare from a humanitarian perspective. At the same time, strictly as it pertains to the markets, we don't think it will have a significant lasting impact on the global economy as the world's largest economies are not directly involved. One concern among some investors has been the potential for the war to cause a surge in oil prices, yet WTI oil prices declined approximately -8.68% in October<sup>2</sup>. As of 10/31/23, the S&P 500 returned -8.25% from its 2023 closing high price on 7/31/23; to put that into perspective, a 10% decline happens every year on average including overall positive years in the market<sup>1,3</sup>. Thankfully, we reduced equity exposures on 8/2/23, near 2023 equity market highs, and put the proceeds into fixed income. We bought back some of the equity exposure for most client accounts on 9/26/23. The S&P 500 is down ~2.1% from those levels, and we will look to be buyers again on any meaningful declines from here. We believe equity markets will end the year higher than current prices.

The 10-year Treasury yield rose in October from 4.59% to 4.81%, causing Treasury bond prices to decline<sup>1</sup>. Inflation remains elevated as the Fed's preferred measure, CORE Personal Consumption Expenditures (PCE), came in at 3.7% yoy, but the last three months were up only 2.5% on an annualized basis<sup>4</sup>. We expect fixed income markets to stabilize as inflation moderates. While fixed income has generally declined in varying degrees year-to-date, we have periodically reduced corporate fixed income exposures in favor of Treasury bond exposures (most recently on 9/26/23), which has served to reduce short-term declines.

INDICATOR	OUTLOOK
Gross Domestic Product (GDP)	●
Unemployment	●
Consumer Price Index (CPI)	●
Fed Policy	●
Interest Rates	●
Dollar Strength	●
Market Valuations	●

● = Positive Indicator, ● = Neutral Indicator, ● = Negative Indicator

External sources: Refinitiv data<sup>1</sup>, CNBC.com<sup>2</sup>, S&P 500, Capital Group<sup>3</sup>, Bureau of Economic Analysis<sup>4</sup>.

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