September 29, 2023

Weekly Recap

U.S. equities were mixed this week as investors continued to digest higher oil prices and interest rates, the Fed's summary of economic projections, as well as comments made by Federal Reserve officials. Chicago Fed President Austan Goolsbee stated that the next question to be answered is how long the Fed will have to hold rates at these elevated levels. Minnesota Fed President Neel Kashkari stated that a "soft landing" is still more likely than not, and there is a 40% chance of needing to meaningfully raise rates again. In economic news, August durable goods orders exceeded expectations for a 0.4% contraction, up 0.2% month over month – the fifth increase in the past six months. The Conference Board reported that its consumer confidence index dropped to 103.0 in September, below consensus of 105.0 and last month's reading of 108.7. However, a portion of this decline can be attributed to the looming government shutdown, if congress cannot reach a deal before the October 1st deadline. August new home sales fell to a five-month low, declining 8.7% from July. This is the slowest pace since March, but sales were still 5.8% higher than August 2022. On Thursday, it was reported that U.S. weekly jobless claims came in at 204,000, beating expectations of 215,000 as the labor market continues to remain resilient. The personal consumption expenditures index (PCE) grew 3.5% year over year in August, up from 3.4% the month prior, and in line with expectations. Core PCE (excluding food and energy) grew 3.9%, down from 4.1% the month prior and softer than expected. This 3.9% increase in core prices represents the lowest annual rise since May 2021. On Friday, the United Auto Workers (UAW) announced they would be expanding their strike against General Motors and Ford. Stellantis was spared from additional strikes due to recent progress in negotiations with the company. The yield curve continued to steepen this week with the 2-year yield falling by 6 basis points (bps), while the 10-year yield rose by 14 bps. In the third quarter, value outpaced growth by 86 bps – a reversal from year-to-date trends.

Key Thought for The Week

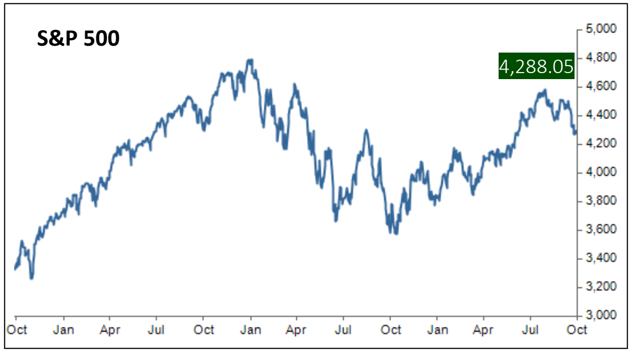
The U.S. Treasury yield curve steepened roughly 29 basis points (bps) in September between the 2-year and 10-year interest rates. Whether the U.S. Federal Reserve hikes an additional 25 bps in 2023, most market participants believe the Fed is nearing the end of its monetary policy tightening cycle. Therefore, the steepening of the U.S. Treasury yield curve has not come as too much of a surprise but how we got there is a different story. The end of an FOMC tightening campaign usually results in a decrease in front-end yields which outpaces the decrease in back-end yields, referred to as a bull steepening. September 2023 exhibited a bear steepening, where longer-term yields increased at a faster pace than short-term yields. The resilient economy and the notion that the long-term neutral rate of inflation may go through a structural shift higher gives the market a reason to keep longer-term yields elevated; even in the face of potential rate cuts by the Fed in 2024. The 2-year and 10-year spread remains inverted at -48.3 bps but as we have seen throughout the last 18 months, large swings in Treasury yields can happen swiftly in a volatile market.

9/29/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	33,507.50	-456.34	-1.34	2.16	1.09	14.65
S&P 500	4,288.05	-32.01	-0.74	1.61	11.68	17.79
NASDAQ	13,219.32	7.51	0.06	0.82	26.30	23.11
S&P MidCap 400	2,502.12	6.61	0.26	1.82	2.95	12.78
EAFE	2,024.37	-40.34	-1.95	3.31	4.14	22.30
Emerging Market	944.08	-20.16	-2.09	2.93	-1.29	8.11

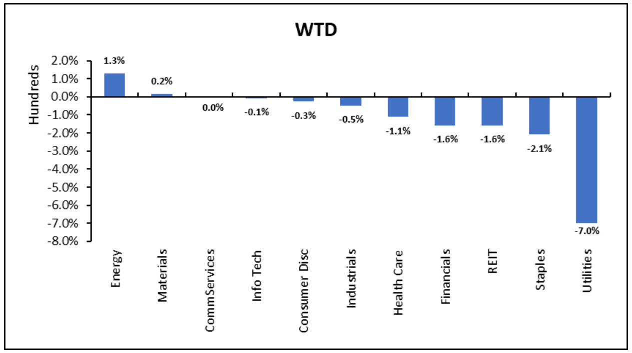
TREASURIES	Yield
1-Year	5.46
2-Year	5.05
5-Year	4.61
10-Year	4.57
30-Year	4.70

FOREX	Price	Wk % Change
USD/EUR	1.06	-0.74
JPY/USD	149.36	-0.66
USD/GBP	1.22	-0.30
CAD/USD	1.36	-0.69

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	727.36	-15.53	(2.1%)	(4.8%)	(6.6%)	(6.6%)
Health Care	1,501.22	-16.87	(1.1%)	(3.1%)	(3.1%)	(5.3%)
CommServices	222.21	-0.03	(0.0%)	(3.3%)	2.8%	39.4%
Eco Sensitive						
Consumer Disc	1,264.00	-3.40	(0.3%)	(6.0%)	(5.0%)	25.7%
Energy	694.19	8.71	1.3%	2.5%	11.3%	3.2%
Industrials	857.57	-4.10	(0.5%)	(6.1%)	(5.6%)	3.1%
Info Tech	2,905.56	-2.48	(0.1%)	(6.9%)	(5.8%)	33.8%
Materials	494.54	0.82	0.2%	(5.1%)	(5.2%)	1.0%
Interest Rate Sensitive						
Financials	552.16	-8.89	(1.6%)	(3.2%)	(1.6%)	(3.1%)
Utilities	299.20	-22.47	(7.0%)	(5.8%)	(10.1%)	(16.5%)
REIT	213.82	-3.44	(1.6%)	(7.8%)	(9.7%)	(8.0%)



COMING UP NEXT WEEK		Consensus	Prior
10/02 Markit PMI Manufacturing SA (Final)	(Sep)	47.6	48.9
10/03 ISM Manufacturing SA	(Sep)	48.0	47.6
10/03 JOLTS Job Openings	(Aug)	8,813K	8,827K
10/04 Markit PMI Services SA (Final)	(Sep)	50.2	50.2
10/04 Factory Orders SA M/M	(Aug)	0.50%	-2.1%
10/04 ISM Services PMI SA	(Sep)	53.2	54.5
10/06 Manufacturing Payrolls SA	(Sep)	7.5K	16.0K
10/06 Nonfarm Payrolls SA	(Sep)	150.0K	187.0K
10/06 Unemployment Rate	(Sep)	3.7%	3.8%

Russell Style Return

WTD	Value	Blend	Growth
Large	(0.92%)	(0.58%)	(0.27%)
Medium	(0.38%)	(0.07%)	0.70%
Small	0.52%	0.55%	0.59%

YTD	Value	Blend	Growth
Large	1.77%	13.00%	24.97%
Medium	0.52%	3.89%	9.88%
Small	(0.58%)	2.51%	5.23%

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