October 13, 2023

Weekly Recap

Long-term bond yields were lower Wednesday for the third day in a row with the 10-year Treasury dropping to 4.54%, which helped stocks add to their recent gains. Prices paid to producers rose more than expected in September, up 0.5% month over month and up 0.3%, excluding food and energy. Short-term Treasury yields moved higher in response, and Fed officials acknowledged that tightening financial conditions from the jump in yields may reduce the need for more rate hikes in the immediate future. The current likelihood of a hike at the November 1st FOMC meeting is 12%. The most important piece of economic data this week was the Consumer Price Index (CPI), which increased 0.4% in September versus a 0.3% expectation and is up 3.7% from a year ago. Core CPI, which excludes volatile food and energy prices, increased 0.3% in September and 4.1% on a year basis, both in line with expectations. Coupled with a resilient labor market, these numbers suggest the Fed has plenty of reason to keep monetary policy tight in the coming months. On the corporate front, Exxon Mobil agreed to buy Pioneer Resources for $60 billion in an all-stock transaction. This is the largest transaction of the year and provides some optimism in the M&A space after a few years of muted activity. International equity markets were also higher, notably Asia, on the news that Beijing is considering raising the budget deficit and issuing new bonds. The aftermath of the tragic attacks in Israel over the weekend continues to dominate headlines, with the focus, rightly so, on the human tragedy. From a market perspective, there was an initial rise in the dollar and the price of oil. We would expect financial assets and commodities to continue to react to geo-political events. Several of the largest U.S. banks reported strong Q3 earnings on Friday which bolstered sentiment that the worst of the banking crisis is over.

Key Thought for The Week

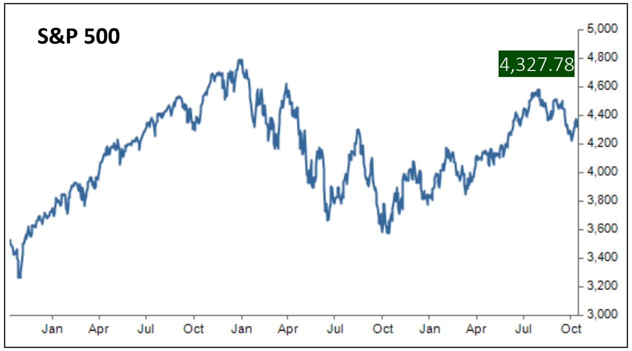
Third quarter corporate earnings season officially kicked off on Friday with several big banks releasing results including JPMorgan, Citigroup, and Wells Fargo. The reports were generally solid with all three banks posting better than expected revenues and earnings; however, management commentary pointed to a cautious outlook. More specifically, JPMorgan CEO Jamie Dimon stated that there is still a risk of inflation remaining elevated which could spur a further rise in interest rates from current levels. Earnings results will continue in earnest over the next few weeks with 79% of S&P 500 companies scheduled to have reported by November 3rd. According to FactSet, analysts are forecasting a year-over-year blended earnings growth rate of 0.4% for the S&P 500. This would mark the first quarter of year-over-year (y/y) earnings growth for the index since Q3 of 2022. Among sectors, eight out of eleven are expected to report earnings growth, led by communication services at +28%. On the other hand, energy is forecasted to see the largest earnings decline of -38%. According to Goldman Sachs, despite a 27% rally in Brent crude oil during the third quarter, it remains 12% lower on average compared to the quarter one year ago. Excluding the energy sector, S&P 500 earnings are expected to grow by 5% y/y. Revisions to earnings estimates for upcoming quarters and full year 2024 suggest the profit outlook has stabilized. Prior to start of Q1 and Q2 reporting seasons, estimates were falling in the mid-single digits. We are now seeing estimates for the current and forward quarters remain roughly flat which is a favorable development.

10/13/2023 STOCKS	Close	Wk Net Change	Wk % Change	Div Yield	YTD % Change	12 Mos % Change
DJIA	33,670.29	262.71	0.79	2.15	1.58	12.09
S&P 500	4,327.78	19.28	0.45	1.60	12.72	17.93
NASDAQ	13,407.23	-24.11	-0.18	0.81	28.10	25.90
S&P MidCap 400	2,442.80	-12.63	-0.51	1.86	0.51	6.12
EAFE	2,040.99	47.36	2.38	3.26	4.99	23.58
Emerging Market	962.69	25.35	2.70	2.82	0.66	12.66

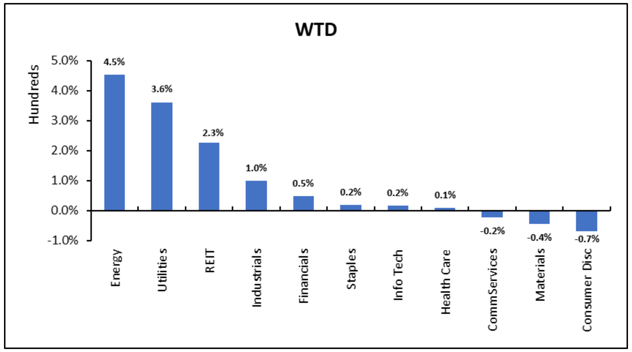
TREASURIES	Yield
1-Year	5.40
2-Year	5.06
5-Year	4.64
10-Year	4.61
30-Year	4.75

FOREX	Price	Wk % Change
USD/EUR	1.05	-0.72
JPY/USD	149.57	-0.17
USD/GBP	1.21	-0.77
CAD/USD	1.39	0.01

Source: FactSet/Bloomberg



Sector - Large Cap	Close	Wk Net Change	WTD	MTD	QTD	YTD
Defensive						
Staples	705.78	1.27	0.2%	(3.0%)	(3.0%)	(9.4%)
Health Care	1,516.76	1.48	0.1%	1.0%	1.0%	(4.3%)
CommServices	228.50	-0.49	(0.2%)	2.8%	2.8%	43.4%
Eco Sensitive						
Consumer Disc	1,252.16	-8.56	(0.7%)	(0.9%)	(0.9%)	24.5%
Energy	686.44	29.65	4.5%	(1.1%)	(1.1%)	2.1%
Industrials	860.99	8.49	1.0%	0.4%	0.4%	3.6%
Info Tech	2,995.79	4.69	0.2%	3.1%	3.1%	37.9%
Materials	488.74	-2.15	(0.4%)	(1.2%)	(1.2%)	(0.2%)
Interest Rate Sensitive						
Financials	552.00	2.64	0.5%	(0.0%)	(0.0%)	(3.1%)
Utilities	301.00	10.49	3.6%	0.6%	0.6%	(16.0%)
REIT	215.30	4.76	2.3%	0.7%	0.7%	(7.3%)



COMING UP NEXT WEEK		Consensus	Prior
10/16 Empire State Index SA	(Oct)	1.0	1.9
10/17 Retail Sales ex-Auto SA M/M	(Sep)	0.25%	0.60%
10/17 Retail Sales SA M/M	(Sep)	0.20%	0.60%
10/17 Capacity Utilization NSA	(Sep)	79.5%	79.7%
10/17 Industrial Production SA M/M	(Sep)	-0.10%	0.40%
10/18 Housing Starts SAAR	(Sep)	1,380K	1,283K
10/19 Philadelphia Fed Index SA	(Oct)	-6.9	-13.5
10/19 Existing Home Sales SAAR	(Sep)	3,880K	4,040K
10/19 Leading Indicators SA M/M	(Sep)	-0.40%	-0.40%

Russell Style Return

WTD	Value	Blend	Growth
Large	0.44%	0.37%	0.30%
Medium	0.10%	(0.07%)	(0.49%)
Small	(0.68%)	(1.47%)	(2.28%)

YTD	Value	Blend	Growth
Large	0.68%	13.84%	27.93%
Medium	(0.93%)	2.65%	9.24%
Small	(3.82%)	(1.21%)	1.01%

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