



WEEK OF OCTOBER 23, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Retail sales increased more than expected in September.
2. **Financial market data:** Tesla and Netflix saw mixed earnings results last week.
3. **Looking ahead:** This week's data should provide insight into business sentiment, economic growth, and personal income.



## Report Releases: October 16–20, 2023

### Retail Sales September (Tuesday)

Retail sales increased more than expected in September, with headline and core retail sales coming in well above economist forecasts.

- Expected/prior month retail sales monthly change: +0.3%/+0.8%
- Actual retail sales monthly change: +0.7%



### Industrial Production September (Tuesday)

Industrial production increased more than expected in September, driven by increased capacity utilization and a rebound in manufacturing production.

- Expected/prior month production change: +0%/+0%
- Actual production change: +0.3%



### Housing Starts and Building Permits September (Wednesday)

Housing starts and building permits were mixed; starts increased less than expected, whereas permits fell less than forecast. Despite the rise in starts, the pace of new home construction remains well below post-pandemic highs from early 2022.

- Expected/prior month housing starts monthly change: +7.8%/–12.5%
- Actual housing starts monthly change: +7%
- Expected/prior month building permits monthly change: –5.7%/+6.8%
- Actual building permits monthly change: –4.4%



### Existing Home Sales September (Thursday)

Existing home sales continued to decline in September, with the pace of sales dropping to its lowest level in 13 years.

- Expected/prior month existing home sales monthly change: –3.7%/–0.7%
- Actual existing home sales monthly change: –2%



## >> The Takeaway

- Retail sales and industrial production fared better than expected.
- Housing data was mixed; building permits and existing home sales beat estimates but housing starts were soft.

## Financial Market Data

### Equity

| Index                 | Week-to-Date | Month-to-Date | Year-to-Date | 12-Month |
|-----------------------|--------------|---------------|--------------|----------|
| S&P 500               | -2.38%       | -1.42%        | 11.47%       | 14.46%   |
| Nasdaq Composite      | -3.16%       | -1.76%        | 24.87%       | 20.62%   |
| DJIA                  | -1.57%       | -1.04%        | 1.67%        | 8.89%    |
| MSCI EAFE             | -2.59%       | -3.46%        | 3.37%        | 19.95%   |
| MSCI Emerging Markets | -2.70%       | -2.82%        | -1.05%       | 9.86%    |
| Russell 2000          | -2.25%       | -5.80%        | -3.40%       | -2.00%   |

Source: Bloomberg, as of October 20, 2023

Global markets struggled as rising yields and conflict in the Middle East led investors to take a risk-off approach. Earnings picked up last week, with Tesla and Netflix reporting mixed results. Tesla missed on revenue and earnings because of increased operating expenses. Netflix matched revenue expectations and beat on earnings because its total memberships exceeded expectations. The company also announced price increases for its basic and premium subscriptions.

### Fixed Income

| Index             | Month-to-Date | Year-to-Date | 12-Month |
|-------------------|---------------|--------------|----------|
| U.S. Broad Market | -1.95%        | -3.13%       | 1.20%    |
| U.S. Treasury     | -1.42%        | -2.92%       | 0.03%    |
| U.S. Mortgages    | -2.72%        | -4.92%       | 0.00%    |
| Municipal Bond    | -0.85%        | -2.22%       | 2.15%    |

Source: Bloomberg, as of October 20, 2023

The 30-year Treasury yield ended the week at 5.09 percent. The 10-year followed suit, closing Thursday at 4.99 percent. As the Federal Reserve (Fed) continues to tighten its balance sheet and international yields become more attractive, yields have risen dramatically. The positive takeaway? This may create less work for the Fed because elevated intermediate-to-long-term rates will create further pressure on areas of the economy that have surged since 2020, including auto and home sales.

### >> The Takeaway

- Earnings from Tesla and Netflix were mixed; another big week of earnings looms.
- Yields continued to rise as big buyers remained on the sideline.

## Looking Ahead

This week's data releases will provide insight into business sentiment, economic growth, and personal income and spending.

- On Tuesday, we expect the release of the **S&P Global Preliminary US Composite PMI** for October. Last month's PMI was in expansionary territory at 50.2 as services remained above the 50 level. We have seen manufacturing begin to recover as services have weakened.
- On Thursday, the advanced estimate for third-quarter GDP and the **preliminary durable goods orders report** for September will be released. The first estimate for GDP growth in the third quarter is set to show accelerated economic growth, powered in part by a rise in personal consumption growth. Headline and **core durable goods orders** are expected to rise in September, which would be a good sign for business investment.
- Finally, on Friday, we'll wrap the week with the **personal income and spending report** for September. Both are expected to rise 0.4 percent, which would match August increases.





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All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except



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Authored by the Investment Research team at Commonwealth Financial Network®

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