



Montpelier, Vermont

WEEK OF OCTOBER 9, 2023

# Market Update

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## Quick Hits

1. **Report releases:** Job growth remained strong but wages moderated in September.
2. **Financial market data:** Investors continued to favor cash-flush technology names amid rising yields.
3. **Looking ahead:** This week's data will provide insight into inflation, Federal Reserve (Fed) policy, and consumer sentiment.



## Report Releases: October 2–6, 2023

### ISM Manufacturing Index September (Monday)

Manufacturer confidence improved more than expected in September, bringing the index to its highest level since last November.

- Expected/prior ISM Manufacturing index: 47.9/47.6
- Actual ISM Manufacturing index: 49



### ISM Services Index September (Tuesday)

Service sector confidence fell slightly less than expected during the month but remained in expansionary territory.

- Expected/prior ISM Services index: 53.5/54.5
- Actual ISM Services Index: 53.6



### Trade Balance August (Thursday)

The trade deficit shrank to its smallest monthly level since 2020 as exports increased 1.6 percent and imports fell 0.7 percent.



### Employment Report September (Friday)

Hiring accelerated in September; 336,000 added jobs marked the largest monthly increase since January. Despite the strong job growth, average hourly earnings growth slowed modestly.

- Expected/prior change in nonfarm payrolls: +170,000/+227,000
- Actual change in nonfarm payrolls: +336,000



## >> The Takeaway

- Manufacturing and service businesses saw an uptick in confidence in September.
- The monthly employment report was stronger than expected.

## Financial Market Data

### Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	0.52%	0.52%	13.66%	20.38%
Nasdaq Composite	1.62%	1.62%	29.17%	27.20%
DJIA	-0.24%	-0.24%	2.48%	16.52%
MSCI EAFE	-1.85%	-1.85%	5.10%	20.97%
MSCI Emerging Markets	-1.61%	-1.61%	0.18%	7.20%
Russell 2000	-2.19%	-2.19%	0.29%	4.18%

Source: Bloomberg, as of October 6, 2023

Mega-cap names within communication services, technology, and health care were the main winners as rising yields pushed businesses with significant cash build-ups higher. The equally weighted S&P 500 index fell 1.2 percent whereas the traditional index rose roughly 0.5 percent. Underperforming sectors included energy, consumer staples, utilities, and real estate.

### Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	-1.17%	-2.36%	-0.28%
U.S. Treasury	-1.04%	-2.55%	-1.42%
U.S. Mortgages	-1.22%	-3.46%	-1.08%
Municipal Bond	-0.64%	-2.01%	1.17%

Source: Bloomberg, as of October 6, 2023

The back end of the yield curve continued its dramatic steepening. The stronger-than-expected employment report on Friday made the case for the continued strength of the U.S. economy, further supporting the back end of the curve. Treasury yields for the 10-year and 30-year rose 21 basis points (bps) and 23 bps, respectively, to close the week at 4.78 percent and 4.94 percent, respectively.

### >> The Takeaway

- Intermediate and long-term bond yields continued to rise.
- A strong jobs report continued to make the case for the strength of the U.S. economy.

## Looking Ahead

This week's data releases will provide insight into inflation, Fed policy, and consumer sentiment.

- The week kicks off Wednesday with the release of the **Producer Price Index report** and minutes from September's **Federal Open Market Committee (FOMC) meeting**. Producer inflation is expected to moderate during the month, with headline and core consumer price growth set to slow. The minutes from the Fed's meeting will be closely examined by economists and investors for hints regarding the path of monetary policy.
- On Thursday, the **Consumer Price Index report** for September will be released. Consumer inflation is expected to show signs of slowing growth, with monthly and year-over-year consumer price growth set to decelerate.
- Finally, Friday will wrap with the **preliminary University of Michigan consumer sentiment survey** for October. The first estimate for consumer sentiment is expected to show slightly lower confidence, with the index set to fall to a four-month low.





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Authored by the Investment Research team at Commonwealth Financial Network®

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