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Market Week: October 23, 2023

The Markets (as of market close October 20, 2023)

Last week proved to be a rough one for the market as investors fled from equities following Federal Reserve Chair Jerome Powell's indication that interest rates would remain higher for longer. The escalation of the Israel-Hamas war also weighed on Wall Street and global markets. Each of the benchmark indexes listed here declined by at least 1.6%, with the Nasdaq skidding over 3.0%. The S&P 500 dropped about 2.4%, suffering through its worst week in a month. Bond prices fell, pushing yields on 10-year Treasuries close to 5.00%. Crude oil prices advanced for the second straight week. The dollar declined, while gold prices gained for the second consecutive week.

Stocks climbed higher to kick off last week, while bond prices declined. Crude oil prices fell following the previous week's rally. The Russell 2000 led the benchmark indexes listed here, gaining 1.6%, followed by the Nasdaq (1.2%), the S&P 500 (1.1%), the Dow (0.9%), and the Global Dow (0.8%). Ten-year Treasury yields settled at 4.71%, up 8.3 basis points. Crude oil prices dipped 0.8% to \$86.97 per barrel. The dollar and gold prices declined.

Last Tuesday saw stocks close mostly flat as tech shares lagged. The Nasdaq slid 0.3%, while the Russell 2000 gained 1.1% and the Global Dow added 0.4%. The Dow and the S&P 500 moved less than 0.1%. Bond values declined, which pushed yields higher. Ten-year Treasury yields gained 13.5 basis points to close at 4.87%. Crude oil prices rose 0.7%, settling at \$87.30 per barrel. The dollar and gold prices were flat. Despite predictions of an economic slowdown, consumers proved resilient, with the latest retail sales data for September (see below) exceeding Wall Street's estimates.

Bond yields jumped higher, as bond values and stocks declined last Wednesday. Ten-year Treasury yields rose to 4.90% after climbing 5.7 basis points. The Russell 2000 lost 2.1%, followed by the Nasdaq (-1.6%), the S&P 500 (-1.3%), the Global Dow (-1.1%), and the Dow (-1.0%). Crude oil prices advanced for the second straight day, settling at \$88.17 per barrel, up 1.7%. The dollar and gold prices rose higher. Tech stocks were impacted by rising long-term interest rates.

Market volatility increased last Thursday, with stocks experiencing big swings throughout the day, only to settle generally lower by the close of trading. Investors may have been somewhat disappointed in Federal Reserve Chair Jerome Powell's hawkish comments, when he indicated that the strength of the economy and the labor market could allow for more "meaningful tightening in the pipeline." Once again, the Russell 2000 fell the furthest, losing 1.4%, while the Nasdaq dropped 1.0%. The S&P 500 declined 0.9%, while the Dow and the Global Dow dipped 0.8%. The yield on 10-year Treasuries added another 8.4 basis points, to close the session at 4.98%. Crude oil prices continued to spike, settling at \$90.50 per barrel, after increasing 2.5%. The dollar slid, while gold prices gained 1.0%.

Friday saw stocks continue to trend lower. Tech shares were hit hard for the fourth straight day last week, with the Nasdaq falling 1.5%. The S&P 500 and the Russell 2000 lost 1.3%. The Global Dow declined 1.0%, while the Dow dropped 0.9%. The yield on 10-year Treasuries dipped 6.4 basis points to close at 4.92%. Crude oil prices declined 0.4%, settling at \$89.02. The dollar was flat on the day, while gold prices advanced 0.6%.



Key Dates/Data Releases

10/25: New home sales

10/26: Durable goods orders, GDP, International trade in goods

10/27: Personal income and outlays

Stock Market Indexes

Market/Index	2022 Close	Prior Week	As of 10/20	Weekly Change	YTD Change
DJIA	33,147.25	33,670.29	33,127.28	-1.61%	-0.06%
Nasdaq	10,466.48	13,407.23	12,983.81	-3.16%	24.05%
S&P 500	3,839.50	4,327.78	4,224.16	-2.39%	10.02%
Russell 2000	1,761.25	1,719.71	1,680.79	-2.26%	-4.57%
Global Dow	3,702.71	3,947.01	3,875.99	-1.80%	4.68%
Fed. Funds target rate	4.25%-4.50%	5.25%-5.50%	5.25%-5.50%	0 bps	100 bps
10-year Treasuries	3.87%	4.62%	4.92%	30 bps	105 bps
US Dollar-DXY	103.48	106.68	106.16	-0.49%	2.59%
Crude Oil-CL=F	\$80.41	\$87.76	\$89.02	1.44%	10.71%
Gold-GC=F	\$1,829.70	\$1,942.00	\$1,991.70	2.56%	8.85%

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Last Week's Economic News

- Sales at the retail level rose 0.7% in September and 3.8% from September 2022. Retail trade sales also advanced 0.7% last month and 3.0% over the past 12 months. Sales for businesses that increased in September included motor vehicle and parts dealers (1.0%); food and beverage stores (0.4%); health and personal care stores (0.8%); gasoline stations (0.9%); general merchandise stores (0.4%); miscellaneous store retailers (3.0%); nonstore retailers (1.1%); and food services and drinking places (0.9%). Businesses not faring so well in September included clothing and clothing accessories stores (-0.8%); building material and garden equipment and supplies dealers (-0.2%); and electronics and appliance stores (0.8%).
- Industrial production increased 0.3% in September and advanced at an annual rate of 2.5% in the third quarter. Manufacturing output rose 0.4% in September but was 0.8% below its year-earlier level. Mining moved up 0.4% for the fourth consecutive monthly gain, while utilities decreased 0.3%. Total industrial production in September was 0.1% above its year-earlier level.
- The number of residential building permits issued in September was 4.4% below the estimate from the previous month and 7.2% below the September 2022 rate. However, permits for single-family home construction increased 1.8%. Housing starts in September were 7.0% above the August estimate but 7.2% below the September 2022 rate. Single-family housing starts in September were 3.2% above the August estimate. Housing completions in September were 6.6% above the August estimate and 1.0% above the September 2022 total. Single-family housing completions in September were 5.3% above the August rate.
- Sales of existing homes fell 2.0% in September and 15.4% from September 2022. Limited inventory and rising prices have hampered home sales. The median existing-homes sales price in September was \$394,300, down 2.5% from the August price (\$404,100) but 2.8% above the September 2022 price of \$383,500. Inventory sat at a 3.4-month supply, up slightly from the August pace of 3.3 months. Single-family home sales fell 1.9% in September and 15.8% from a year earlier. Inventory of single-family home sales sat at a 3.4-month supply, up from 3.2 months in August. The median single-family home price was \$399,200 in September, 2.8% below the August median price but 2.5% above the September 2022 price.
- The national average retail price for regular gasoline was \$3.576 per gallon on October 16, \$0.108 per gallon lower than the prior week's price and \$0.295 less than a year ago. Also, as of October 16, the East Coast price decreased \$0.080 to \$3.396 per gallon; the Midwest price fell \$0.096 to \$3.326 per gallon; the Gulf Coast price dropped \$0.145 to \$3.040 per gallon; the Rocky Mountain price declined \$0.115 to \$3.705 per gallon; and the West Coast price decreased \$0.170 to \$4.997 per gallon.
- For the week ended October 14, there were 198,000 new claims for unemployment insurance, a decrease of 13,000 from the previous week's level, which was revised up by 2,000. According to the Department of Labor, the advance rate for insured unemployment claims for the week ended October 7 was 1.2%, unchanged from the previous week's rate, which was revised up by 0.1 percentage point. The advance number of those receiving unemployment insurance benefits during the week ended October 7

was 1,734,000, an increase of 29,000 from the previous week's level, which was revised up by 3,000. States and territories with the highest insured unemployment rates for the week ended September 30 were Hawaii (2.3%), New Jersey (2.1%), California (2.0%), Puerto Rico (1.8%), Massachusetts (1.6%), New York (1.6%), Oregon (1.5%), Rhode Island (1.5%), Nevada (1.4%), and Washington (1.4%). The largest increases in initial claims for unemployment insurance for the week ended October 7 were in California (+3,849), Texas (+2,879), Michigan (+2,039), Illinois (+1,844), and New Jersey (+1,613), while the largest decreases were in Ohio (-846), Virginia (-370), Hawaii (-66), North Dakota (-33), and the Virgin Islands (-18).

Eye on the Week Ahead

This is a very busy week for important economic data. From the perspective of the economy, the initial estimate of third-quarter gross domestic product is out this week. The second quarter showed the economy expanded at an annualized rate of 2.1%. The September data on personal income, expenditures, and consumer prices is out at the end of this week. The personal consumption expenditures price index, the preferred inflation indicator of the Federal Reserve, showed prices increased 0.4% in August and 3.5% for the year.

Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e., wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Forecasts are based on current conditions, subject to change, and may not come to pass. U.S. Treasury securities are guaranteed by the federal government as to the timely payment of principal and interest. The principal value of Treasury securities and other bonds fluctuates with market conditions. Bonds are subject to inflation, interest-rate, and credit risks. As interest rates rise, bond prices typically fall. A bond sold or redeemed prior to maturity may be subject to loss. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.

The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 largest, publicly traded companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indexes listed are unmanaged and are not available for direct investment.

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