Market Commentary

September 2023

- Stocks and bonds continued to pull back in the month of September, with all major sectors besides energy seeing declines.
- Higher for longer interest rate sentiment from the Federal Reserve put pressure on markets.
- The 10-Year U.S. Treasury yield hit the highest level since 2007.

MARKET RETURNS AS OF SEPTEMBER 30, 2023[1]

	September %	QTD %	YTD %	1 Year %	3 Year %	5 Year %
S&P 500 TR	-4.77	-3.27	13.07	19.79	10.46	9.92
DJ Industrial Average TR	-3.42	-2.10	2.73	17.14	9.05	7.14
NASDAQ Composite TR	-5.77	-3.94	27.11	24.21	6.87	11.41
Russell 2000 TR	-5.89	-5.13	2.54	8.27	7.24	2.40
MSCI EM GR	-2.57	-2.79	2.16	12.49	-0.94	0.94
MSCI EAFE GR	-3.37	-4.05	7.59	26.78	6.04	3.74
Bloomberg US Agg Bond TR	-2.54	-3.23	-1.21	0.34	-5.26	0.10

MARKETS

Both stocks and bonds had a challenging month; the Nasdaq Composite Index fell 5.77%, and the S&P 500 Index fell 4.77%. The Dow Jones Industrial Average Index and the Bloomberg US Aggregate Bond Index fared slightly better, falling 3.42% and 2.54% respectively.

The Real Estate Select Sector SPDR ETF (XLRE), which can be considered a proxy for the public real estate markets, was one of the worst performing sectors, falling 7.24%. Many analysts fear a housing correction, particularly in the U.S. office real estate market.

Higher oil prices in the month of September caused higher overall inflation, as measured by Personal Consumption Expenditures (PCE). Energy stocks benefited from those trends this past month, including the Energy Select Sector SPDR ETF (XLE), which rose 2.41%.

THE FED AND RATES

At its September meeting, the Federal Reserve held interest rates steady. However, they signaled towards higher-for-longer rates. Treasuries sold off following the Fed meeting, with the yields on the two-, five- and 10-year U.S. government bonds all rising to the highest levels in more than a decade.

Consumer spending remains strong, the labor market resilient, and inflation data continues to come in well above their target rate of 2%.

Policymakers now see fewer rates cuts than previously anticipated in 2023.

WHAT'S NEXT?

- **Diversification matters.** There are many ways to diversify a portfolio, whether it means dipping a toe into international equity markets, investing across the fixed income landscape, or exploring alternative investments.
- **Do not try to time the markets.** When investors feel worried about the outlook, their natural tendency is to sell and come back when there is more certainty. However, history suggests that trying to time markets in this way is a mistake. Focus on the horizon, not the waves.
- **Stick to the plan.** Short term volatility is unlikely to derail a long-term allocation. Help your clients remember their plan during volatile periods instead of reacting emotionally.

FOOTNOTES:

Past performance is no guarantee of future returns.

The graphs and charts in this commentary are for illustrative purposes only and not indicative of any actual investment. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than other asset classes. Historical returns were the result of certain market factors and events which may not be repeated in the future. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgement in determining whether investments are appropriate for clients.

The information here is not intended to constitute an investment recommendation or advice.

Sources:

1. Data from Morningstar. Returns over one year are annualized.

Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations for the respective strategies are shown gross of fees. If fees were included returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index.

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