

Market Commentary

October 2023



- Stocks and bonds continued to pull back in October, with all major sectors besides utilities and technology seeing declines.
- The Federal Reserve [held rates steady](#) during their November 1st meeting while still keeping the door open to additional rate hikes as needed.
- The 10-Year U.S. Treasury yield climbed higher, [reaching 5% for the first time since 2007](#).

MARKET RETURNS AS OF OCTOBER 31, 2023¹

	October %	YTD %	1 Year %	3 Year %	5 Year %	10 Year %
S&P 500 TR	-2.10	10.69	10.14	10.37	11.01	11.18
DJ Industrial Average TR	-1.26	1.44	3.17	9.84	7.96	10.34
NASDAQ Composite TR	-2.76	23.61	17.99	6.42	12.94	13.76
Russell 2000 TR	-6.82	-4.45	-8.56	3.95	3.31	5.63
MSCI EM GR	-3.87	-1.80	11.26	-3.30	1.98	1.56
MSCI EAFE GR	-4.04	3.24	15.01	6.26	4.61	3.55
Bloomberg US Agg Bond TR	-1.58	-2.77	0.36	-5.57	-0.06	0.88

MARKETS

All major indices were negative in October. By the end of the month, the [S&P 500 fell below its 200-day moving average](#) for the first time since March. The 200-day moving average is a significant technical data point as it may be a sign of a market downtrend. Within U.S. equities, large caps outperformed small caps. From a sector perspective, only utilities and technology were able to eek out gains.

Markets have declined despite a strong start to earnings season. By October 27th, half of S&P 500 companies had reported earnings with [78% beating estimates](#). The divergence in earnings and market returns may be explained by the fact that [investors are more focused on company outlooks](#). For example, [Meta posted its most profitable quarter ever](#) (since it went public over a decade ago), accompanied by one of its worst weeks of the year in terms of performance, after giving a more cautious outlook for the quarter ahead. Alphabet saw its [worst day since 2020](#), as investors focused on

weaker-than-expected cloud revenue, as opposed to the overall better-than-anticipated profits and sales.

In the final week of October, [10-Year Treasury yields breached 5%](#) for the first time since 2007, just in time for the Fed's meeting.

THE FED AND RATES

The Federal Reserve held rates steady during their November 1st meeting, having now skipped a rate hike for two consecutive meetings. This marks the longest period without a rate increase since the beginning of the hiking cycle in March of 2022. The question remains whether the Fed is done raising rates, or whether they will hike intermittently in response to new inflation data. Jerome Powell said the FOMC is "[proceeding carefully](#)" but signaled more hikes might be needed given ongoing employment strength. "We're not confident" inflation is on a path toward 2%, he added.

Economic data continues to come in mixed, which further complicates the Fed's position. Data showed that [economic activity picked up](#), [consumers increased their spending](#), and [employers accelerated their hiring](#). And yet, [inflation numbers have improved](#). Core prices were up at a 2.8% annualized rate in April through September, down substantially from a 4.5% annualized rate in the prior six-month period. As a reminder, the Federal Reserve's inflation target remains 2% despite the heightened levels over the past few years.

WHAT'S NEXT?

- **Tackle your end-of-year planning.** Max out your retirement accounts and finish any last-minute tax planning before the end of the year.
- **Evaluate (and stick to) the plan.** The end of year is a good time to revisit your goals, but don't let emotions drive your decision-making.
- **Diversification matters.** Consider investments beyond traditional equity and fixed income asset classes. Alternative asset classes can help protect against inflation and provide portfolio diversification benefits.



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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