WEEKLY MARKET UPDATE | OCTOBER 27, 2023

# Investors look for a dark cloud in a silver lining.

**The economy**

- The U.S. equity market lost ground during the week ending October 27, as positive economic news (mainly stronger-than-expected gross domestic product (GDP) data) reignited investors' concerns that the U.S. Federal Reserve (Fed) will keep interest rates higher for longer. Additionally, several mega-cap technology companies reported relatively disappointing quarterly results, pushing the tech-heavy Nasdaq Composite Index into correction territory (a 10% decline from its recent peak) even as an internet retailing giant's quarterly results significantly exceeded the market's expectations.
- According to the initial estimate of the Department of Commerce, U.S. GDP grew at an annualized rate of 4.9% in the third quarter of 2023, sharply higher than the 2.1% rise in the second quarter. GDP has increased for five consecutive quarters following declines in the first two quarters of 2022. The largest increases for the third quarter were in consumer spending, private inventory investment (a measure of the changes in values of inventories from one time period to the next), and exports. These gains offset an increase in imports–which are a subtraction in the calculation of GDP–and a reduction in nonresidential fixed investment (purchases of both nonresidential structures and equipment and software). The government attributed the significantly higher GDP growth rate relative to the previous quarter primarily to accelerations in consumer spending and private inventory investment, as well as upturns in exports and residential fixed investment (purchases of private residential structures and residential equipment that property owners use for rentals). Conversely, there were quarter-over-quarter decreases in nonresidential fixed investment, a slowdown in state and local government spending, and an increase in imports.
- At the end of this week, CME's FedWatch Tool (which provides a gauge of the markets' expectations of potential changes to the federal-funds target rate while assessing potential Fed monetary policy actions at Federal Open Market Committee (FOMC) meetings) implied a 97% chance that the FOMC will maintain the federal-funds rate in a range of 5.25% to 5.50% following its meeting on Tuesday and Wednesday of next week. The FedWatch Tool projects that the Fed most likely will not reduce interest rates until June 2024—with a 40% probability of a 25-basis point (0.25%) cut and a 20% chance of a 50-basis point decrease.
- The Department of Commerce reported that the personal-consumption-expenditures (PCE) price index advanced 0.4% in September–matching the increase in August–and was up 3.4% over the previous 12-month period. Food prices rose 0.3% and 2.7% for the month and year-over-year, respectively. Energy prices increased 1.7% in September, but dipped 0.1% over the previous 12 months. The core PCE price index, which excludes volatile food and energy costs, rose 0.3% in September, and the year-over-year increase of 3.7% was marginally lower than the 3.8% annual rise in August. The PCE price index is the Fed's preferred gauge of inflation, as it tracks the change in prices paid by or on behalf of consumers for a more comprehensive set of goods and services than that of the consumer-price index (CPI).
- According to the Department of Labor, initial unemployment insurance claims–a barometer of the health of the labor market–increased 10,000 to 210,000 during the week ending October 21, and rose 9,000 compared to the same period in 2022. The four-week moving average of initial claims increased 1,250 week-over-week to 207,500, and was up 6,750 from the four-week average of 200,750 for the same period a year earlier. Nonetheless, the number of initial unemployment insurance claims remained well below the historical weekly average of 366,000, dating back to 1967. A strong labor market puts upward pressure on wages, which can result in higher inflation.

**Stocks**

- Global equities closed down for the week. Developed markets fared better than emerging markets.
- U.S. equities lost ground during the week. Utilities and materials were the top-performing sectors, while energy and telecommunication services lagged. Value stocks led growth, while large caps slightly outperformed small caps.

**Bonds**

- The 10-year U.S. Treasury note yield decreased to 4.84% during the week.
- Global bond markets were up modestly for the week.
- Corporate bonds led the markets, followed by high-yield bonds and government bonds.

| The Numbers as of October 27, 2023 | 1 Week | YTD | 1 Year | Friday's Close |
|---|---|---|---|---|
| **Global Equity Indexes** | | | | |
| MSCI ACWI ($) | -1.8% | 4.2% | 8.3% | 630.7 |
| MSCI EAFE ($) | -0.9% | -0.1% | 10.3% | 1942.9 |
| MSCI Emerging Mkts ($) | -1.6% | -4.8% | 6.0% | 910.9 |
| **US & Canadian Equities** | | | | |
| Dow Jones Industrials ($) | -2.1% | -2.2% | 1.2% | 32417.6 |
| S&P 500 ($) | -2.5% | 7.2% | 8.1% | 4117.4 |
| NASDAQ ($) | -2.6% | 20.8% | 17.1% | 12643.0 |
| S&P/ TSX Composite (C$) | -2.0% | -3.3% | -3.2% | 18737.4 |
| **UK & European Equities** | | | | |
| FTSE All-Share (£) | -1.4% | -3.5% | 1.5% | 3933.2 |
| MSCI Europe ex UK (€) | 0.2% | 2.7% | 6.6% | 1520.8 |
| **Asian Equities** | | | | |
| Topix (¥) | 0.0% | 19.2% | 18.3% | 2254.7 |
| Hong Kong Hang Seng ($) | 1.3% | -12.0% | 12.8% | 17398.7 |
| MSCI Asia Pac. Ex-Japan ($) | -1.8% | -7.0% | 6.7% | 470.2 |
| **Latin American Equities** | | | | |
| MSCI EMF Latin America ($) | 1.9% | 4.2% | 0.1% | 2218.4 |
| Mexican Bolsa (peso) | 1.7% | 1.3% | 0.4% | 49079.7 |
| Brazilian Bovespa (real) | 0.2% | 3.3% | -1.1% | 113376.8 |
| **Commodities ($)** | | | | |
| West Texas Intermediate Spot | -3.6% | 6.6% | -4.0% | 85.5 |
| Gold Spot Price | 0.1% | 8.8% | 19.6% | 1983.7 |
| **Global Bond Indices ($)** | | | | |
| Bloomberg Global Aggregate ($) | 0.2% | -3.3% | 0.7% | 431.0 |
| JPMorgan Emerging Mkt Bond | 0.5% | -0.8% | 6.3% | 762.4 |
| **10-Year Yield Change (basis points*)** | | | | |
| US Treasury | -8 | 96 | 92 | 4.84% |
| UK Gilt | -11 | 88 | 115 | 4.54% |
| German Bund | -6 | 27 | 87 | 2.83% |
| Japan Govt Bond | 4 | 46 | 63 | 0.88% |
| Canada Govt Bond | -10 | 68 | 78 | 3.98% |
| **Currency Returns**** | | | | |
| US$ per euro | -0.2% | -1.3% | 6.1% | 1.057 |
| Yen per US$ | -0.2% | 14.1% | 2.3% | 149.62 |
| US$ per £ | -0.3% | 0.3% | 4.8% | 1.212 |
| C$ per US$ | 1.1% | 2.3% | 2.3% | 1.387 |

Source: Bloomberg. Equity-index returns are price only, others are total returns.

*100 basis points = 1 percentage point.

**Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

# Important information

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

This material is provided by SEI Investments Management Corporation (SIMC) for educational purposes only and is not meant to be investment advice. The reader should consult with his/her financial advisor for more information. This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events or a guarantee of future results. There are risks involved with investing, including possible loss of principal. SIMC is a wholly-owned subsidiary of SEI Investments Company.