

Asheville, North Carolina

WEEK OF OCTOBER 2, 2023

Market Update

Quick Hits

1. **Report releases:** Although business activity and consumer spending remain positive, the outlook for both remains cautious.
2. **Financial market data:** Cooler-than-expected inflationary data leads to a bounce in pressured areas.
3. **Looking ahead:** This week's data releases should provide insight into business confidence and employment.

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WEALTH MANAGEMENT

Report Releases — September 25–29, 2023

Dallas Fed Manufacturing Activity Report
September (Monday)

Manufacturing activity remained stagnant, according to the Dallas Fed's September report. General business activity declined from –17.2 in August to –18.2 despite production rising to its highest reading this year.



Conference Board Consumer Confidence Index
September (Tuesday)

Consumer confidence fell more than expected, bringing the index to a four-month low. Future expectations worsened notably as rising recession fears weighed on consumers.

- Expected/prior month consumer confidence: 105.5/108.7
- Actual consumer confidence: 103



Preliminary Durable Goods Orders
September (Wednesday)

Headline and core durable goods orders improved more than expected, signaling healthy levels of business investment.

- Expected/prior durable goods orders monthly change: −0.5%/–5.6%
- Actual durable goods orders change: +0.2%
- Expected/prior core durable goods orders monthly change: +0.2%/+0.1%
- Actual core durable goods orders change: +0.4%



Personal Spending and Personal Income
August (Friday)

Personal income and personal spending grew, which is an encouraging sign that consumer spending remained resilient despite worsening sentiment.

- Expected/prior personal income monthly change: +0.4%/+0.2%
- Actual personal income change: +0.4%
- Expected/prior personal spending monthly change: +0.5%/+0.9%
- Actual personal spending change: +0.4%



>> The Takeaway

- Production and higher-than-expected durable goods orders indicated solid business activity despite pessimistic future outlooks.
- Although consumers continued to spend in August, confidence soured last month.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	–0.71%	–4.77%	13.07%	21.62%
Nasdaq Composite	0.07%	–5.77%	27.11%	26.11%
DJIA	–1.34%	–3.42%	2.73%	19.18%
MSCI EAFE	–1.43%	–3.42%	7.08%	25.65%
MSCI Emerging Markets	–1.14%	–2.62%	1.82%	11.70%
Russell 2000	0.55%	–5.89%	2.54%	8.93%

Source: Bloomberg, as of September 29, 2023

Domestic equities were mixed. Recently challenged areas of the market saw a slight bounce; semiconductors, consumer staples, electric vehicles, home builders, and regional banks were among those that recouped recent losses. Despite a slightly positive performance from the tech-oriented Nasdaq Composite, the S&P 500 fell 0.71 percent. Income-oriented sectors, such as utilities, consumer staples, real estate, and financials, struggled. Investors moved away from these areas as core personal consumption expenditures, the Fed's inflation gauge, showed cooler-than-expected inflation.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	–2.54%	–1.21%	0.64%
U.S. Treasury	–2.21%	–1.52%	–0.81%
U.S. Mortgages	–3.19%	–2.26%	–0.17%
Municipal Bond	–2.93%	–1.38%	2.66%

Source: Bloomberg, as of September 29, 2023

The intermediate-to-long end of the curve continued its climb higher. Between the most recent dot plot from the Fed and the possibility of a higher-for-longer rate hike cycle, persistent inflation fears rose. The potential impact of government shutdowns on rating agencies was also discussed. The 10- and 30-year yields were up 13 bps and 5 bps, respectively, closing at 4.58 percent and 4.71 percent, respectively. The 2-year yield dropped 7 bps to close at 5.05 percent.

>> The Takeaway

- Intermediate- and long-term bond yields continued to rise.
- With a significant amount of steepening last month, shorter-term yields are worth watching.

Looking Ahead

This week's data releases should provide insight into business confidence and employment.

- Monday kicks off with the release of the ISM Manufacturing index for September. Manufacturer confidence is expected to improve modestly, though the index is expected to remain in contractionary territory.
- On Tuesday, the ISM Services index for September will be released. Service sector confidence is expected to decline slightly after unexpectedly surging to a six-month high in August.
- The trade balance for August will be released Thursday. The trade deficit is set to widen modestly, which would mark two consecutive months with a wider trade gap. The size of the trade deficit, however, is expected to be well below record levels from 2022.
- The week wraps Friday with the employment report for September. Economists expect to see continued healthy levels of hiring, with forecasts calling for 165,000 additional jobs after gaining 187,000 in August.





Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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