



The Weekly Market Update – 9/11/23: September Is Often A Weak Month For Equities

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	4,457.49	-1.29%	0.16%	16.10%	12.71%	4,796.56	7.6%
Dow Jones Industrial Average	34,576.59	-0.75%	0.49%	4.31%	9.73%	36,799.65	6.4%
NASDAQ Composite	13,761.53	-1.93%	-0.19%	31.48%	16.46%	16,057.44	16.7%
Russell 2000	1,851.55	-3.61%	-1.97%	5.13%	0.40%	2,442.74	31.9%
MSCI EAFE (USD)	2,074.02	-1.43%	-2.71%	6.69%	12.69%	2,398.71	15.7%
MSCI Emerging Markets (USD)	973.86	-1.20%	-1.58%	1.83%	-2.04%	1,444.93	48.4%
Bloomberg Commodity Index	106.08	-0.60%	4.54%	-5.96%	-12.79%	237.95	124.3%
Barclays U.S. Aggregate Bond	87.97	-0.33%	-2.03%	-1.03%	-4.27%	112.07	27.4%

Source: FactSet

Equity weakness to begin the month reminds us of recent Septembers past. Over the first five trading days of September, the widely followed, large-company S&P 500 index dropped 1.3% through 9/8/23 as markets were weak following the Labor Day holiday. While, admittedly, this represents a relatively modest decline, other indices were also lower to start the month as the large-company, technology-centric Nasdaq Composite dropped 1.9% and the small-company Russell 2000 was 3.6% lower. In addition, the S&P 500 decline follows the August pullback (down 1.8%), which was the first monthly decrease since February. Since 2008 (a period of 16 years), September has declined an average of 1.1%, making it the worst calendar month on average for the S&P 500, with only two other months having suffered an average monthly decline (August down 0.4% and May down 0.1%). Not only that, but the index has dropped each of the past three years in September, including last year's 9.3% decline. Does this suggest additional weakness this month? In our view, equity investors continue to face elevated uncertainty as expectations for an economic soft landing (no recession, with recession defined as a significant decline in economic activity) are balanced by recent data to suggest that consumer finances could face challenges ahead. Jobs growth (from the Bureau of Labor Statistics, BLS), while solidly positive in August, has slowed from much higher levels over the first six months of 2023, and recent income and spending data reveals that consumers have dipped into savings and increasingly utilized credit cards to support spending. The Bureau of Economic Analysis (BEA) data for July showed a personal savings rate (as a percentage of disposable income) of 3.5%, the lowest level in eight months. In addition, the Federal Reserve Bank of New York reported that credit card balances surged 4.3% in the second quarter to a record \$1.0 trillion. This does not necessarily suggest that consumer spending is poised to roll over as the jobs and wage growth story remain important contributors to consumer health. But it could point to a slower rate of spending growth ahead, especially in October when federal student loan payments resume after a three-year pause. All of this could further weigh on equities this month, leading to yet another volatile September.

Third quarter (3Q23) GDP trends remain positive ahead of a busy week of economic data. The FactSet consensus (from Wall Street economists) estimate for third quarter gross domestic product (GDP, the value of goods and services produced as reported by the BEA) has jumped to 1.3% from a 0.0% estimate as recently as 6/30/23. Not only that, but the Atlanta Fed's GDPNow estimate, which tracks only reported data, reflects (as of 9/8/23) 3Q23 growth of 5.6%. While we expect that number to drift lower as August and September data is reported, it clearly reflects an economy that is performing better than expected and is not yet showing a slowdown. On 9/13/23, the BLS will report August inflation (consumer price index, CPI). The headline number is expected to rise to 3.6% from 3.2% in July (higher oil prices), but core CPI (excludes energy and food) is expected to show a drop to 4.3% (from 4.7% in July). Retail sales (from U.S. Census), due 9/14/23, is expected to show growth, but below July levels.

On this day, September 11, 2023, we mark the 22nd anniversary of the 9/11 terrorist attacks on the United States targeting New York City, Washington D.C., and Shanksville, Pennsylvania. Nearly 3,000 people perished in the attacks, including scores of firefighters, police, and military personnel. It is important to never forget the attacks and to recognize all the heroes who lost their lives that day. Many who perished were our investment industry brothers and sisters. Please join us in honoring their memory.

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