



The Weekly Market Update – 10/9/23: No Quit in the Jobs Market; Israel Attacked

Major Indices (Price Returns)	Close	Last Week	Quarter-to-Date	Year-to-Date	Trailing 12-Months	All-Time High	% to High
S&P 500	4,308.50	0.48%	0.48%	12.22%	20.16%	4,796.56	11.3%
Dow Jones Industrial Average	33,407.58	-0.30%	-0.30%	0.79%	16.30%	36,799.65	10.2%
NASDAQ Composite	13,431.34	1.60%	1.60%	28.33%	27.00%	16,057.44	19.6%
Russell 2000	1,745.56	-2.22%	-2.22%	-0.89%	4.86%	2,442.74	39.9%
MSCI EAFE (USD)	1,993.63	-1.85%	-1.85%	2.56%	19.99%	2,398.71	20.3%
MSCI Emerging Markets (USD)	937.34	-1.62%	-1.62%	-1.99%	7.03%	1,444.93	54.2%
Bloomberg Commodity Index	102.57	-2.16%	-2.16%	-9.07%	-8.00%	237.95	132.0%
Barclays U.S. Aggregate Bond	85.16	-1.35%	-1.35%	-4.18%	-2.91%	112.07	31.6%

Source: FactSet

U.S. September jobs growth was robust, reinforcing prior data that third quarter (3Q23) economic growth was healthy and dampening recession fears. Key equity markets initially dropped following the pre-market report (on 10/6/23), but reversed throughout the day, ultimately closing higher with the widely followed, large-company S&P 500 index rallying 1.2%. This was the S&P 500's largest daily gain in six weeks (since 8/29/23). According to the Bureau of Labor Statistics (BLS), U.S. nonfarm payrolls (jobs) increased by 336 thousand (K) in September, surging past the 162K FactSet consensus estimate and representing the highest monthly jobs increase since January 2023. In addition, both July and August jobs gains (previously reported) were revised higher by a combined 199K, reflecting a sizable surge in the 3Q23 average monthly jobs increase (up 266K) compared to the prior quarter (2Q23, up 201K). September jobs gains were broad-based by category, including leisure and hospitality +96K, government +73K, health care +41K, and professional services +29K. The September unemployment rate held steady at 3.8%. The initial negative equity market reaction, in our opinion, reflected an investor view that "good news" could be "bad news" if the strong labor market exerts renewed inflation pressure and U.S. interest rates (as measured by Treasury bond yields) continue the recent trend higher. However, equities rallied as investors adopted a view that "good news" is "good news" as a resilient labor market provides support for ongoing growth in consumer spending. Two measures of worker wages in the BLS September labor report, average hourly earnings (AHE) and average weekly earnings (AWE), both moderated on a year-over-year (Y/Y) basis. AHE increased 4.2%; while only modestly below the 4.3% increase in August, it was the lowest monthly Y/Y increase since June 2021. AWE were up 3.5% Y/Y in September compared to 4.0% in the prior month. Investors appeared to cheer the lower wage growth data as it does appear that recent jobs growth has generated upward wage pressure. The U.S. 10-year Treasury yield (we use to assess U.S. long-term interest rates) closed at 4.79% on 10/6/23, however. This remained at a 16-year high, reflecting tight credit conditions that we believe could slow economic growth in late 2023 and 2024.

Geopolitics once again moved to the top of near-term investor concerns following the surprise, brutal attack on Israel by Hamas over the weekend. We mourn for the people of Israel and recognize that financial markets are not top of mind for many, but U.S. equity markets are open for business today. The S&P 500 is close to unchanged through mid-day trading, with broad weakness in consumer sectors (many stocks in travel-related industries are lower) and gains in energy (oil-related) and industrials (defense stocks are higher). We will not attempt to predict potential geopolitical outcomes following the attacks, but a near-term resolution appears unlikely. Global uncertainty often leads to demand for U.S. Treasury securities (the U.S. bond market is closed today). This could drive U.S. interest rates lower, at least temporarily, after long-term interest rates have moved steadily higher over the past few months.

As world leaders and investors assess the weekend attacks in Israel, U.S. investors also prepare for the onset of 3Q23 earnings season and a key inflation report. Several large banks are scheduled to report 3Q23 financial results on Friday; according to FactSet, analyst consensus estimates look for the S&P 500 Financials sector to report 9% Y/Y earnings growth, and total S&P 500 earnings to be down 0.4%. On 10/12/23, the BLS will report its September consumer price index (CPI – consumer inflation) with consensus estimates of +3.6% Y/Y vs. 3.7% in August.

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