Special points of interest:

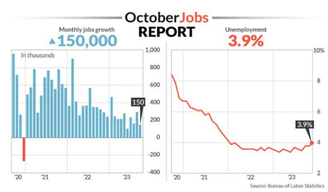
- **Stocks fell for the 3rd month in October; the average U.S. stock fund was down 4%.**
- **The Fed held interest rates steady at their last meeting while the October jobs report came in lower than expected.**
- **The Commerce Dept reported that 3rd quarter GDP rose at a 4.9% annualized rate, more than double the rate from the 2nd quarter.**
- **Consumer sentiment remains depressed even as other economic indicators surpass pre-pandemic levels.**

Inside this issue:

October 2023 Market Update

The Markets in October 2023

Another month, another round of broadly-felt investment losses. Stocks fell for the third straight month in October, with the S&P 500 and Dow Jones Industrial Average indices down 2.2% and 1.4% respectively. Further, by October 27, both the S&P500 and Nasdaq indices had fallen more than 10% from their July highs, meeting the technical definition of a market 'correction' and the start of a potential bear market. The average U.S. stock fund did worse, dropping 4% while international stock funds were down 3.5%. Fixed income also fell in sympathy as yields continued to rise throughout the



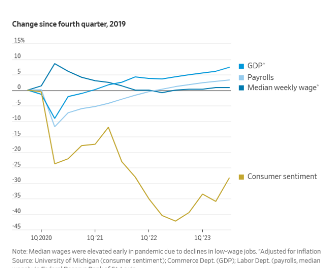
month. The most common type of bond fund, investment grade intermediate-term funds, declined on average 1.6%. Commodities were mixed on the escalation of tensions in the Middle East. Crude oil prices surprisingly plummeted 10.8% even as gold skyrocketed 7.4% higher.

The Fed held interest rates steady at their last meeting through November 1, and as of November 6, markets were pricing in a roughly 90% chance of a similar hold in December (up from 58% a month prior). Also, on November 2, investors received the October jobs report which showed a smaller-than-expected 150k payroll increase and a slight increase in the unemployment rate for the month. Now, the markets' focus will turn to 3rd quarter earnings and future recession signs.

Domestic stock markets fell into 'correction' territory in October on surging bond yields even as the Fed maintained their rate levels.

The Look Ahead

Despite recent market results, our domestic economy appears to be chugging along nicely. The Commerce Department's 3rd quarter report showed that GDP increased at a 4.9% annualized growth—far above economists' expectations and more than double the rate from the second quarter. In fact, this was the fastest pace since 2021, and even with potentially unsustainable levels of



consumer spending, this number does not signal an economy on the verge of recession. In fact, looking at the chart here, the only indication of economic duress appears to be in consumer sentiment. Not only has economic output made up all the ground lost during the pandemic, but it is also above where it would have been had the pandemic never happened, according to the Congressional Budget Office's early 2020 projections. To me, the stage is now set for an eventual recovery in bonds and stocks.

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