CETERA® INVESTMENT MANAGEMENT

MONTHLY RECAP

October 2023 Recap

At-A-Glance

The Dow Industrials fell 1.26% in October, cutting its YTD gain to just 1.44% The Dow is down 6.55% over the last three months.

The Nasdaq Composite fell 2.76% last month, trimming its YTD gain to 23.61%. The Nasdaq has given back 10.24% since July 31.

The Bloomberg U.S. Government Index fell 1.18% in October, while their longer-duration U.S. Government Long Index lost 4.92%. These indices are down 2.6% and 13% respectively.

Bloomberg's Commodities Index gained 0.27% in October, easing its YTD loss to 3.19%.

Among top performing commodities, gold gained 6.87% last month, while so-called "soft commodities" such as sugar and cotton rose 5.58%. Gold is up 9.2% YTD, while Softs are up 27.4% YTD.

Market Indices[1]	October	Year-to-Date
S&P 500	-2.10%	10.69%
Russell 3000	-2.65%	9.41%
Russell 2000	-6.82%	-4.45%
MSCI EAFE	-4.05%	2.74%
MSCI Emerging Markets	-3.89%	-2.14%
Bloomberg U.S. Aggregate Bond	-1.58%	-2.77%
Bloomberg U.S. Municipal Bond	-0.85%	-2.22%
Bloomberg U.S. Corporate High Yield	-1.16%	4.63%

[1]FactSet (all equity performance is total return, which includes dividends).

All three major U.S. equity indices registered their first three-month losing streaks since the onset of the pandemic in March 2020. Earlier, on October 27, the benchmark S&P 500 had briefly been in correction status, down 10.3% from its 2023 high on July 31. The two-day, month-ending rally removed the designation, netting the S&P 500 with an 8.25% loss over the past three months.

The primary downward catalyst last month was the continued rise in Treasury yields that sapped demand for riskier assets. The yield on benchmark 10-year Treasury notes had briefly breached the key 5% level for the first time since 2007, sparking fears about the economic impact of "higher for longer" interest rates. Other negative factors included geopolitical fallout from the Israel-Hamas war, which stirred escalating global oil prices with U.S. WTI crude briefly reaching above $90/barrel.

Wall Street has also been looking for forward guidance from the ongoing third quarter earnings season, assessing the outlook for corporate profits. Moreover, investors have been eager to gauge how companies are able to withstand sustained headwinds from higher interest rates. Disapointing guidance from several Big Tech firms have weighed heavily on investor sentiment. Overall earnings per share (EPS) estimates for S&P companies are currently expected to contract by 1.5% in the third quarter before climbing 6.3% in the fourth quarter.

Favorably, as widely expected, the Federal Reserve is keeping its key policy interest rate at 5.25%-5.50% for the second straight meeting, marking its third rate pause this year. Fed policymakers however remain data dependent for further tightening should economic conditions warrant.

In economic highlights, third quarter economic growth surprised to the upside, with the U.S. GDP rising at a 4.9% annualized pace, over twice the 2.1% prior quarter pace and topping estimates for 4.2%. The increase was primarily driven by improved consumer spending and business inventory investment. Third quarter employment costs also came a bit hotter, up 1.1% from the previous quarter (+1.0% forecast). Meanwhile, the Conference Board's consumer confidence index declined a third month, falling to a five-month low.

As shown in the style performance boxes below, large cap companies outperformed both mid and small caps with narrower October losses. Large cap growth and value losses were also smaller than their mid and small counterparts. For year to date (YTD) performance, growth continues to dominate over value, especially among large cap companies. Mid cap growth held onto YTD gains, while small cap growth turned negative.

October Returns

	Value	Blend	Growth
Large Cap	-3.53%	-2.42%	-1.42%
Mid Cap	-4.95%	-4.99%	-5.10%
Small Cap	-5.97%	-6.82%	-7.71%

YTD Returns

	Value	Blend	Growth
Large Cap	-1.80%	10.28%	23.20%
Mid Cap	-4.44%	-1.28%	4.28%
Small Cap	-6.46%	-4.45%	-2.87%

Style returns are represented by: Large Value (Russell 1000 Value), Large Blend (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Blend (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Blend (Russell 2000), Small Growth (Russell 2000 Growth). Source: Cetera Investment Management, FactSet, FTSE Russell, total return based, which includes dividends. Investors cannot invest directly in indexes. Data as of 10/31/2023.

Of the 11 S&P 500 sector groups, only Utilities (+1.29%) posted an October gain, slightly narrowing its YTD loss (-13.31%). Although not shown below, Communication Services fell 1.82% in October, trimming its gain (+37.87%). Surprisingly, Technology fell the least last month (-0.02%).

Top Sector Performers – October [1]	**Bottom Sector Performers – October [1]**
Utilities (+1.29%)	Healthcare (-3.21%)
Technology (-0.02%)	Consumer Discretionary (-4.47%)
Consumer Staples (-1.21%)	Energy (-5.97%)
Top Sector Performers – YTD [1]	**Bottom Sector Performers – YTD [1]**
Communication Services (+37.87%)	Healthcare (-7.17%)
Technology (+34.69%)	Real Estate (-8.09%)
Consumer Discretionary (+21.01%)	Utilities (-13.31%)

[1] FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends)

Foreign developed equity markets fell more aggressively in October, underperforming the U.S. with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) having losses that were almost 3% more than S&P 500. Emerging markets also posted a sharp pullback of nearly 4%, marking its third straight monthly loss and worst October performance since 2018.

Turning to fixed-income markets, Treasury yields remain inverted with shorter maturity Treasurys yielding more than longer-term notes and bonds. As discussed, benchmark 10-year Treasury note yields briefly reached above 5% for the first time since 2007, but ended the month near 4.90%, up 0.33% M/M.

On a broader basis, investment-grade bonds of all types declined nearly 1.6% in October, as measured by the Bloomberg U.S. Aggregate Bond Index. Bloomberg's U.S. High Yield Bond Index, representing holdings of below investment-grade (junk-rated) corporate bonds, fell slightly less, off around 1.2% to trim its YTD gain to 4.6%. Lastly, Municipal bonds fell a lesser 0.85%, extending its YTD loss to 2.2%.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P.

Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.