

Monthly Recap

Market Indices

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%

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

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.

October 2023

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 breached the key 5% 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. Disappointing 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			YTD Returns		
	Value	Blend	Growth	Value	Blend	Growth
Large Cap	-3.53%	-2.42%	-1.42%	-1.80%	10.28%	23.26%
Mid Cap	-4.95%	-4.99%	-5.10%	-4.44%	-1.28%	4.28%
Small Cap	-5.97%	-6.82%	-7.71%	-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.

Top & Bottom Performers

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 Treasuries 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%.

CETERA® INVESTMENT MANAGEMENT

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @CeteraIM on Twitter.

About Cetera® Investment Management

Cetera Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®, Cetera Investment Management provides market perspectives, portfolio guidance, model management, and other investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

About Cetera Financial Group

"Cetera Financial Group" refers to the network of independent retail firms encompassing, among others, Cetera Advisors LLC, Cetera Advisor Networks LLC, Cetera Investment Services LLC (marketed as Cetera Financial Institutions or Cetera Investors), Cetera Financial Specialists LLC, and First Allied Securities, Inc. All firms are members FINRA / SIPC. Located at 655 W. Broadway, 11th Floor, San Diego, CA 92101

Disclosures

Individuals affiliated with Cetera firms are either Registered Representatives who offer only brokerage services and receive transaction-based compensation (commissions), Investment Adviser Representatives who offer only investment advisory services and receive fees based on assets, or both Registered Representatives and Investment Adviser Representatives, who can offer both types of services.

The material contained in this document was authored by and is the property of Cetera Investment Management LLC. Cetera Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Cetera Investment Management and did not take part in the creation of this material. He or she may not be able to offer Cetera Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Cetera Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Cetera Investment Management, please reference the Cetera Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

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**, 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.

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.

The **Barclays U.S. Government Bonds 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 **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 **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

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 Russell 2000 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 S&D or DXY moniker, has 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.

Scott Holstein
seh@prudentwm.com
(800) 458-9330

Prudent Wealth Manager, Inc.
Wealth Manager | Financial Advisor
<http://www.prudentwm.com>

Make a phone appointment

Registered Representative offering securities and advisory services through Cetera Advisor Networks LLC, member FINRA/SIPC, a broker/dealer and Registered Investment Advisor. Certain advisory services and financial planning services offered through Vicus Capital, Inc., a federally registered investment advisor. FactSet, FTSE Russell, total return based, which includes dividends. Investors cannot invest directly in indexes. Data as of 10/31/2023.

Confidential: This email and any files transmitted with it are confidential and are intended solely for the use of the individual or entity to whom this email is addressed. If you are not one of the named recipient(s) or otherwise have reason to believe that you have received this message in error, please notify the sender and delete this message immediately from your computer. Any other use, retention, dissemination, forward, printing, or copying of this message is strictly prohibited.

This informational email is an advertisement and you may opt out of receiving future emails. To opt out, please click the "unsubscribe" link below.

This message was sent by
Prudent Wealth Management, Inc.
(800) 458-9330
301 York Road
Ste 200
Warminster, PA 18974

Unsubscribe