



PRECISION

Financial Services, Inc.

Designed to Fit Your Needs

October Market Update

September lived up to its reputation as typically the worst month for U.S. equities of the year. With so much important activity, I thought it would be helpful to share an overview of monthly developments. Take a look below.

Major U.S. Stock Indexes

Major U.S. stock indexes declined in September, with rising bond yields and a looming government shutdown serving as catalysts. More on that in a minute.

For September, the mega-cap tech-heavy Nasdaq 100 led the bear parade, decreasing by [5.07%](#), the S&P 500 was lower by [4.87%](#), and the Dow Jones Industrial Average decreased by [3.87%](#).

Fed Pause Amid “Higher for Longer” Narrative

The Fed [left rates unchanged](#) at its September meeting. But bond yields (and interest rates) rose throughout the month. What gives?

Well, analyzing Fed actions and “Fedspeak” is a nuanced art. And it’s rarely about what just happened, but rather the probabilities of future policy down the line. The Fed left rates unchanged at the September meeting, but in the accompanying press release and commentary, indicated a “[higher for longer](#)” tone, with more rate hikes possibly on the table.

As of early October, the consensus is that there will be [at least one more rate hike](#) by the end of the year.

Federal Reserve Chair Jerome Powell [said](#) that policymakers would be holding policy at a restrictive level “until we’re confident that inflation is moving down sustainably toward our objectives.”

Translation? Don’t expect interest rates to decline anytime soon. The Fed has said it in so many different ways, yet many pundits want to predict that it is over. There may be more to go in the inflation battle and on the price stability restoration front.

Government Bond Yields (Treasury Yields) Rise

As noted above, yields rose amid the “higher for longer” Fed narrative, with prices dropping steadily. Remember, bond prices and yields move inversely to one another.

The benchmark 10-year note yield rose rather precipitously, settling near [4.574%](#) for the month. This marked a 48-basis-point rise from the August monthly settlement near [4.094%](#) (One basis point equals 0.01%). A large move indeed.

Bearish Sentiment Getting More Extreme

A potential government shutdown, higher interest rates, sticky inflation, and an inverted yield curve all contributed to bearishness (or fear-driven sentiment) among investors.

The [CNN Fear and Greed Index](#), which measures investor sentiment on a scale of 1 (extreme fear) to 100 (extreme greed), currently sits at 28 to close out the month and quarter, indicating a substantial amount of fear in the market, albeit not "extreme fear." The index saw a 2023 daily low reading of 23 at the peak of March's regional banking turmoil.

For investors with certain risk tolerances, fear or extreme fear in markets can create long-term opportunities.

Jobs Growth

Nonfarm payrolls for August, released on September 1st, showed continued (too much?) strength. The jobs number came in above expectations again, showing [187,000](#) jobs created versus 170,000 expected.

The stronger-than-expected employment data left the data-dependent Fed's pathway to higher interest rates open once again. The Fed wants to see job growth slowing, indicating a cooling economy and a relaxation in inflation.

Rising interest rates are intended to cool job demand, yet employers continue to add workers at a healthy pace. Though the Fed left rates unchanged in September, the strong jobs market could be a contributing factor to keeping interest rates elevated.

Inflation Obstination

Consumer Price Index: The last CPI release of the quarter, released on September 13, showed inflation ticking higher again in August after a cooling pattern for much of 2023. Data showed headline inflation (including food and energy) [increasing by 3.7%](#) year-over-year, a tick higher than the 3.6% estimate from Refinitiv economists and up from the 3.2% increase we saw in the July data.

On a monthly basis, headline consumer prices [advanced 0.6%](#), the metric's biggest monthly gain of 2023. Core inflation, which excludes volatile food and energy, rose by 0.3% month-over-month in August, higher than the 0.2% expectations.

Consumer inflation appeared to be slowing for most of this year, and the recent uptick has the attention of many.

Core Personal Consumption Expenditures: On the last day of the month and quarter, we did get some encouraging news on the inflation front courtesy of Core PCE.

The Core Personal Consumption Expenditures Index rose less than expected in September, increasing by [0.1%](#) month-over-month versus 0.2% expected. Year-over-year, Core PCE increased by 3.9% as expected.

While the Core PCE metric shows some promise in the inflation fight and is the Fed's preferred inflation gauge, it does not include the pesky food and energy pricing that we all deal with daily.

Energy Picture

Crude oil was on the rise last month, with the active futures contract (November futures) adding close to [9.44%](#) to close at \$90.79 for the month of September.

Should crude oil continue to rise, there should be some cooling effects on the economy, according to conventional wisdom anyway.

Government Shutdown Averted

In the proverbial eleventh hour, lawmakers avoided the October 1st government shutdown via a 45-day stop-gap [funding bill](#).

This is potentially a good thing for equity market bulls, as fear was creeping into the market over the effects of a potential shutdown. The "kick the can down the road" deal was inked with just three hours left on the ticking clock.

Seasonality

September is a [soft month for equities historically](#), and it sure lived up to its stereotype. However, the fourth quarter is also [typically the best quarter](#) for U.S. stocks.

Sometimes, it's darkest before dawn. How dark will it get?

The Takeaway

While September was not a great month for U.S. equity investors, it also wasn't as bad as many feared. The S&P 500 held above its 200-day moving average in September, a measurement that many market technicians use. Whether or not this level holds as support is yet to be seen.

Investors may be starting to realize that there will not be a magical unicorn Fed on the horizon, and let's not forget that rates have been much higher than present in the not-too-distant past.

With that said, market narratives and investing environments are dynamic, and the present backdrop creates opportunities for certain investors. If there is anything on your mind, please feel free to reach out to your advisor at anytime.

Precision Financial Services, Inc.
350 US Highway 46
Mine Hill, NJ 07803

Tel: 973-927-6300
Fax: 973-927-7190
www.precisionfinancial.com

Investment advice offered through PFS Partners, LLC, a Registered Investment Advisor.

The information contained in this email message is being transmitted to and is intended for the use of only the individual(s) to whom it is addressed. If the reader of this message is not the intended recipient, you are hereby advised that any dissemination, distribution or copying of this message is strictly prohibited. If you have received this message in error, please immediately delete.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by PFS Partners, LLC ("PFS"), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions.

Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from PFS. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. PFS is neither a law firm, nor a certified public accounting firm, and no portion of the newsletter content should be construed as legal or accounting advice. A copy of PFS's current written disclosure Brochure discussing our advisory services and fees is available upon request. Please Note: If you are a PFS client, please remember to contact PFS, in writing, if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. PFS shall continue to rely on the accuracy of information that you have provided. Please Note: IF you are a PFS client, Please advise us if you have not been receiving account statements (at least quarterly) from the account custodian. This material was developed and produced by Levitate to provide information on a topic that may be of interest. Levitate is not affiliated with any other named entity.

[Unsubscribe Footer](#)