

# Monthly Market Recap – Oct. 2023

Bill Winkeler, CFA, CFP®  
Chief Investment Officer



## Month in Review

- Stocks fell during the month of October, marking the third straight monthly decline for the S&P 500 Index.
- Bond markets also fell again during the month, the fifth straight monthly decline for the asset class.
- Concerns over US government funding helped keep interest rates higher in October, pressuring stock and bond markets again.
- US corporate earnings season is also in full swing, with over 50% of the S&P 500 having reported by the end of the month. Companies have thus far reported positive earnings growth with mixed outlooks.

## Last Rate Hike? Now What?

The Federal Reserve held its November committee meeting, where they kept interest rates unchanged. Following the press conference, investors are now expecting interest rates to be unchanged again in December (only a 15% probability of a December rate hike as of 11/2/2023). If the Federal Reserve is finished increasing interest rates this cycle, what does that mean for the stock market? Going back to 1929, there are no clear trends, the range of outcomes following the last hike is very wide historically. While various talking heads remain hyper-focused on short-term events such as this, it is more important than ever that investors maintain their focus on long-term fundamentals.

Final Fed rate hike	Final Fed rate hikes		Subsequent first Fed rate cut (number of days)
	S&P 500 performance		
	6 months later	12 months later	
8/9/1929	-17.8%	-28.6%	59
1/16/1953	-7.2%	-3.2%	320
8/23/1957	-8.2%	6.3%	58
9/11/1959	-5.5%	-2.8%	185
12/6/1965	-5.0%	-11.2%	331
4/3/1969	-7.4%	-10.5%	405
4/25/1974	-18.4%	-2.6%	155
2/15/1980	8.5%	11.1%	71
5/5/1981	-6.5%	-10.9%	874
2/24/1989	20.1%	14.2%	68
2/1/1995	19.0%	32.1%	104
5/16/2000	-6.8%	-15.0%	155
6/29/2006	12.1%	18.3%	297
12/19/2018	17.8%	27.3%	150
<b>Average</b>	<b>-0.4%</b>	<b>1.8%</b>	<b>231</b>

Source: Charles Schwab, Bloomberg, Federal Reserve, 1929-2019. Indexes are unmanaged, do not incur management fees, costs and expenses and cannot be invested in directly. Past performance does not guarantee future results.

## What's on Deck for November?

- The autoworkers strike appears to be nearing resolution, while a potential government shutdown remains a possibility ahead of the November 17<sup>th</sup> deadline.
- Corporate earnings season is nearly two-thirds complete, with companies reporting earnings ahead of estimates on average, and clocking positive growth this quarter. Investors will focus on forward guidance from companies as the season wraps-up.
- The next Federal Reserve meeting is not until December 13<sup>th</sup>, so in the interim investors will continue to look for communications and sign-posts for confirmation the Federal Reserve is done increasing interest rates. The Federal Reserve did confirm their on-going effort to reverse their quantitative easing (QE) program, which is expected to keep interest rates elevated.