Denver, Colorado

WEEK OF SEPTEMBER 25, 2023

Market Update

Quick Hits

1. **Report releases:** The Federal Reserve (Fed) paused again but its dot plot indicated a higher-for-longer rate policy ahead.
2. **Financial market data:** A hawkish pause from the Fed caused investors to take caution.
3. **Looking ahead:** This week's data will focus on consumers and business activity.

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Report Releases — September 18–22, 2023

National Association of Home Builders Housing Market Index
September (Monday)

Home builder sentiment fell more than expected in September, with the index falling into contractionary territory. Rising mortgage rates weighed on prospective homebuyers and home builders.

- Expected/prior month sentiment: 49/50
- Actual sentiment: 45

Housing Starts and Building Permits
August (Wednesday)

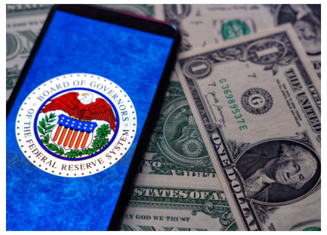
Housing starts and building permits were mixed in August; starts fell more than expected and permits unexpectedly rose. Despite the rise in permits, new home construction remains well below the pace from early 2022.

- Expected/prior month housing starts monthly change: –0.9%/+2%
- Actual housing starts monthly change: –11.3%
- Expected/prior month building permits monthly change: –0.2%/+0.1%
- Actual building permits monthly change: +6.9%

FOMC Rate Decision September
September (Wednesday)

The Federal Open Market Committee (FOMC) kept the federal funds rate unchanged at its September meeting, which was in line with economist and investor expectations. Looking ahead, the Fed is expected to remain data dependent when setting monetary policy.

- Expected/prior federal funds rate: 5.5%/5.5%
- Actual federal funds rate: 5.5%



Existing Home Sales
August (Thursday)

Existing home sales fell more than expected in August, bringing the pace of sales to its lowest level in seven months. Rising mortgage rates and low supply of existing homes for sale served as headwinds for prospective homebuyers.

- Expected/prior month existing home sales monthly change: +0.7%/–2.2%
- Actual existing home sales monthly change: –0.7%

>> The Takeaway

- Although the Fed kept rates unchanged, its dot plot (which attempts to predict future Fed actions) indicated a higher-for-longer rate policy.
- Housing starts and existing home sales missed by more than expected as home builders became more cautious.

Financial Market Data

Equity

Index	Week-to-Date	Month-to-Date	Year-to-Date	12-Month
S&P 500	−2.91%	−4.08%	13.88%	18.96%
Nasdaq Composite	−3.61%	−5.83%	27.02%	22.65%
DJIA	−1.89%	−2.10%	4.13%	17.27%
MSCI EAFE	−2.04%	−2.02%	8.63%	25.75%
MSCI Emerging Markets	−2.09%	−1.49%	3.00%	9.30%
Russell 2000	−3.81%	−6.40%	1.98%	7.44%

Source: Bloomberg, as of September 22, 2023

Domestic equities struggled as the S&P 500 slipped below its 100-day moving average. The higher-for-longer plot from the Fed and negative economic reports weighed on sentiment. The Fed's dot plot was seen as an indication that the central bank has work remaining to get inflation under control. Inflation-protected sectors such as health care, utilities, staples, and energy fared best. Consumer discretionary, real estate, and materials fared worst as there was little appetite for cyclical goods.

Fixed Income

Index	Month-to-Date	Year-to-Date	12-Month
U.S. Broad Market	−1.59%	−0.24%	0.61%
U.S. Treasury	−1.58%	−0.89%	−0.89%
U.S. Mortgages	−1.79%	−0.86%	0.56%
Municipal Bond	−1.42%	0.15%	3.27%

Source: Bloomberg, as of September 22, 2023

The biggest news in fixed income markets was a significant move in the 10-year Treasury yield after the Fed meeting. The 10-year rose more than 10 basis points (bps) and now trades above 4.5 percent. Yields beyond the short end of the curve moved significantly, with the 2-year rising 9 bps and the 30-year growing 10 bps.

>> The Takeaway

- The Fed's dot plot did little to calm the nerves of equity or bond markets.
- The 10-year Treasury yield reached its highest level since 2007 and mortgage rates are hovering near 8 percent.

Looking Ahead

This week's data releases will provide insight into consumer confidence and spending.

- On Monday, the Dallas Fed will release its report on manufacturing activity, a sector that has been stagnant for most of the year. The previous report reflected this, declining 17.2 percent. This will be followed by the nonmanufacturing activity report on Tuesday.
- Tuesday will also see the release of the Conference Board Consumer Confidence Index for September. Consumer confidence is expected to fall modestly, echoing declines in the University of Michigan consumer sentiment index.
- The preliminary report of durable goods orders for August will be released Wednesday. Headline durable goods orders are set to fall, whereas core orders are expected to increase modestly. The anticipated rise in core orders would signal continued business investment.
- Finally, we will wrap the week with Friday's release of personal income and personal spending reports for August. Both are expected to show signs of steady growth, which would highlight the continued strength of consumers.

Certain sections of this commentary contain forward-looking statements that are based on our reasonable expectations, estimates, projections, and assumptions. Forward-looking statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. All indices are unmanaged and are not available for direct investment by the public. Past performance is not indicative of future results. The S&P 500 is based on the average performance of the 500 industrial stocks monitored by Standard & Poor's. The Nasdaq Composite Index measures the performance of all issues listed in the Nasdaq Stock Market, except for rights, warrants, units, and convertible debentures. The Dow Jones Industrial Average is computed by summing the prices of the stocks of 30 large companies and then dividing that total by an adjusted value, one which has been adjusted over the years to account for the effects of stock splits on the prices of the 30 companies. Dividends are reinvested to reflect the actual performance of the underlying securities. The MSCI EAFE Index is a float-adjusted market capitalization index designed to measure developed market equity performance, excluding the U.S. and Canada. The MSCI Emerging Markets Index is a market capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The Bloomberg US Aggregate Bond Index is an unmanaged market value-weighted performance benchmark for investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities with maturities of at least one year. The U.S. Treasury Index is based on the auctions of U.S. Treasury bills, or on the U.S. Treasury's daily yield curve. The Bloomberg US Mortgage Backed Securities (MBS) Index is an unmanaged market value-weighted index of 15- and 30-year fixed-rate securities backed by mortgage pools of the Government National Mortgage Association (GNMA), Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC), and balloon mortgages with fixed-rate coupons. The Bloomberg US Municipal Index includes investment-grade, tax-exempt, and fixed-rate bonds with long-term maturities (greater than 2 years) selected from issues larger than $50 million. One basis point is equal to 1/100th of 1 percent, or 0.01 percent.

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