

MARKET VIEW WEEKLY

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ECONOMIC REVIEW¹

- The Gross Domestic Product (GDP) rose 2.6% during the third quarter, beating economists' estimates, which called for 2.4% growth.
 - Consumer spending decelerated, increasing at just a 1.4% pace in the quarter, down from 2% in Q2.
- The Fed's preferred Personal Consumption Expenditures (PCE) Price Index for September increased 0.3% on a month-over-month basis and remained unchanged at 6.2% on a year over year basis.
- The University of Michigan Consumer Sentiment Index rose to 59.9 in the October 2022 survey, up from 58.6 in September but below last October's reading of 71.7.
- **How does the GDP reading, PCE and Consumer Sentiment impact you?**
 - The positive reading follows consecutive negative quarters to start the year, meeting a commonly accepted definition of recession. Quarterly growth of this magnitude should reassure investors that the U.S. has not yet plunged into recession.
 - Fears of an economic slowdown have been front of mind this year amid a dramatic tightening of financial conditions by the Federal Reserve.
 - The Fed will likely remain aggressive with another 75-basis point hike at its meeting next week.
 - A bottoming out in consumer attitude tends to be followed by favorable market performance. In the three previous instances when the sentiment index fell below 60 ('80, '08, '11), the stock market was higher in each of the following six- and 12-month periods, with the S&P 500 averaging an increase of 16.0% over the next six months and 20.9% over the following 12 months.²



A LOOK FORWARD¹

- The Job Openings and Labor Turnover Survey (JOLTS) will be released on Tuesday and is expected to show that the number of open jobs fell below 10 million for the first time this year.
- The Federal Reserve (Fed) will make its official decision on rate hikes this Wednesday, with Wall Street consensus calling for another hike of 0.75 percentage points.
- ISM Manufacturing and Services readings will also be released next week.
 - The Manufacturing index is expected to post a reading of 50.0 while the services index is expected to come in at 55.1.
- **How JOLTS, the Fed and ISM indexes impact you?**
 - Job openings falling tell us the tightness in the labor market is abating, which is a positive sign for potentially slower future Fed rate hikes.
 - However, the JOLTS reading will likely not factor into the Fed's plan of 0.75 percentage point hike on Wednesday.
 - Additional influences on the Fed's rate hiking plan will be seen in the prices paid indexes that get released with the manufacturing and services reports. A drop in prices paid in both sectors would signal that the next inflation readings may come in lower than expected.



MARKET UPDATE

Market Index Returns as of 10/28/22	WTD	QTD	YTD	1 YR	3 YR	5 YR
S&P 500 TR USD	3.97	8.90	-17.09	-13.97	10.50	10.56
NASDAQ Composite TR USD	2.25	5.02	-28.59	-27.82	11.17	11.64
DJ Industrial Average TR USD	5.72	14.52	-8.06	-6.38	8.93	9.36
Russell Mid Cap TR USD	5.59	9.26	-17.26	-16.87	7.77	8.00
Russell 2000 TR USD	6.02	11.01	-16.85	-18.54	6.72	5.49
MSCI EAFE NR USD	4.13	5.30	-23.23	-23.05	-1.24	0.01
MSCI EM NR USD	-2.24	-3.40	-29.64	-31.24	-4.56	-3.00
Bloomberg US Agg Bond TR USD	1.65	-0.88	-15.36	-15.33	-3.41	-0.40
Bloomberg US Corporate High Yield TR USD	2.44	3.03	-12.16	-11.38	0.36	2.11
Bloomberg Global Aggregate TR USD	2.50	-0.05	-19.93	-20.28	-5.72	-2.15



OBSERVATIONS

- U.S. equities had a strong week, returning +3.97%.
- Among style boxes domestically, each turned in positive numbers on the week, with small-cap dominating its larger-cap brethren.
- Developed international markets were up on week, returning +4.13%, while Emerging Market stocks were down, returning -2.24%.
- U.S. bonds were up on the week, with the Bloomberg Barclays U.S. Aggregate Bond index up +1.65.



BY THE NUMBERS

- Freight Volumes Slow Heading into Holiday Season: Container imports, measured in 20-foot-equivalent units, were down 11% year-over-year and were off 12.4% in August, an unusually sharp falloff in the months considered the peak of shipping season. Container imports from China, where manufacturers of goods including furniture, toys and electronics stuff boxes bound for U.S. retailers, tumbled 18.3% from August to September.³
- Inflation around the Globe: The European Union's statistics agency Monday said consumer prices were 10.7% higher in October than a year earlier, the fastest rate of increase since records began in 1997, two years before the euro was launched. As measured by the Eurostat method, Italy's annual rate of inflation jumped to 12.8% in October from 9.4% in September, while Germany's inflation rate rose to 11.6% from 10.9%. By contrast, Spain's inflation rate fell to 7.3% from 9%.⁴
- Facebook's Free Fall: Last fall, Facebook had a market cap just shy of \$1.1 trillion. It's now \$266 billion, meaning the company has lost more than \$800 billion dollars in a little over a year. To put this loss into perspective, \$800 billion is a bigger dollar amount than the market cap of every single company in the S&P 500 right now save for Apple, Microsoft, Google and Amazon. The stock price of Facebook is now back to levels last seen in 2015, when sales at the company were one-sixth the size they are today.⁵

Economic Definitions

GDP : Gross domestic product (GDP) measures the final market value of all goods and services produced within a country. It is the most frequently used indicator of economic activity. The GDP by expenditure approach measures total final expenditures (at purchasers' prices), including exports less imports. This concept is adjusted for inflation.

ISM Services Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. Target Audience: supply management professionals Sample Size: 300 individuals Date of Survey: through the month The Services Index is a composite index of four indicators with equal weights: Business Activity, New Orders, Employment and Supplier Deliveries. An index reading above 50% indicates an expansion and below 50% indicates a decline in the non-manufacturing economy. Where as per Supplier Deliveries Index, above 50% indicates slower deliveries and below 50% indicates faster deliveries.

Job Openings – JOLTS: This concept tracks the number of specific job openings in an economy. Job vacancies generally include either newly created or unoccupied positions (or those that are about to become vacant) where an employer is taking specific actions to fill these positions.

ISM Manufacturing Index: PMI Surveys track sentiment among purchasing managers at manufacturing, construction and/or services firms. An overall sentiment index is generally calculated from the results of queries on production, orders, inventories, employment, prices, etc. University of Michigan Consumer Sentiment Index: Consumer confidence tracks sentiment among households or consumers. The results are based on surveys conducted among a random sample of households. Target Audience: representative sample of US households (excluding Alaska and Hawaii). Surveys of Consumers collects data on consumer attitudes and expectations summarized in the Consumer Sentiment, in order to determine the changes in consumers' willingness to buy and to predict their subsequent discretionary expenditures. This Index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Components of the Index of Consumer Sentiment are included in the Leading Indicator Composite Index. Unit: Index (Q1 1966=100)

Index Definitions

S&P 500: The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

NASDAQ: The NASDAQ Composite Index is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

Dow Jones Industrial Average: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

Russell Mid-Cap: Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 25% of the total market capitalization of the Russell 1000 Index.

Russell 2000: The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 8% of the Russell 3000 total market capitalization. The real-time value is calculated with a base value of 135.00 as of December 31, 1986. The end-of-day value is calculated with a base value of 100.00 as of December 29, 1978.

MSCI EAFE: The MSCI EAFE Index is a free-float weighted equity index. The index was developed with a base value of 100 as of December 31, 1969. The MSCI EAFE region covers DM countries in Europe, Australasia, Israel, and the Far East.

MSCI EM: The MSCI EM (Emerging Markets) Index is a free-float weighted equity index that captures large and mid-cap representation across Emerging Markets (EM) countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Bloomberg Barclays US Agg Bond: The Bloomberg Barclays US 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 securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg Barclays High Yield Corp: The Bloomberg Barclays US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate 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. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

Bloomberg Barclays Global Agg: The Bloomberg Barclays Global Aggregate Index is a flagship measure of global investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Bloomberg Barclays Municipal Bond Index: The Bloomberg Barclays U.S. Municipal 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.

Disclosures

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¹ Data Obtained from Bloomberg as of 10/28/2022

² <https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/previous-weeks-weekly-market-update>

³ https://www.wsj.com/articles/freight-operators-peak-shipping-season-is-crumbling-11666118281?mod=article_inline

⁴ <https://www.wsj.com/articles/eurozone-inflation-rate-rises-to-10-7-as-recession-looms-11667210401>

⁵ <https://awealthofcommonsense.com/2022/10/the-agony-ecstasy-of-stock-picking/>