

"First learn the meaning of what you say, and then speak." Epictetus

MARKETS

Macro Recap: On Tuesday, the August JOLTS report revealed a substantial increase in job openings compared to July, rising from 8.92 million to 9.61 million. This underscored the persistent tightness of the labor market.

Wednesday brought the ADP Employment Change report, indicating that private payrolls had grown by 89,000 in September, well below the consensus estimate of 150,000. The ISM Services PMI also decreased to 53.6% in September (consensus 53.7%) down from August's 54.5%. Although the reading signaled an expansion in services sector activity, it was at a slightly slower pace than in August. September marked the ninth consecutive month of growth for the services sector.

Friday saw nonfarm payrolls surge much higher than expected, adding 336,000 jobs in September, compared to the consensus estimate of 158,000. Moreover, there were upward revisions to the July and August data, resulting in 119,000 more jobs than previously reported. Concurrently, the growth rate of average hourly earnings moderated, coming in at 4.2% year-over-year, down from August's 4.3%.

Throughout the week, political uncertainty loomed over the market as the House voted 216-210 to remove Kevin McCarthy as Speaker of the House—an unprecedented move. This development is likely to complicate negotiations to avert another government shutdown after November 17, as House business will be halted until a new Speaker is elected.

The price of gold fell to its lowest level in seven months on Thursday, with gold futures trading around \$1,816 per ounce, down from its recent peak of about \$1,945 on September 20.

The outlook for lower global demand weighed on oil prices, with U.S. crude dropping to approximately \$83 per barrel, marking a nearly 9% decline for the week—its most significant drop since March 2023. Just a week earlier, on September 27, oil had reached a year-to-date high of \$94 per barrel..

Equity Recap: The initial week of the new month presented a somewhat mixed performance for the stock market. The S&P 500 recorded a gain of 0.5%, and the Nasdaq Composite saw a stronger increase of 1.6%. In contrast, the Dow Jones Industrial Average experienced a slight decline of 0.2%, while the Russell 2000 had a more substantial drop of 2.2%. Notably, the S&P 500 managed to break a streak of four consecutive weeks of losses

The Cboe Volatility Index (VIX), which measures investors' expectations of short-term U.S. stock market volatility, surged nearly 25% this week, reversing a recent decline that had sent the index to its lowest level since late 2019. Despite the increase, the VIX remains below its year-end 2022 level of 21.7, currently sitting at around 17.2.

Bonds/Rates Recap: Friday's robust jobs report accelerated the recent bond market selloff, pushing the yield on the 10-year U.S. Treasury to its highest level since 2007. It closed the week around 4.79%, a significant increase from 3.30% just six months prior. Additionally, on Friday morning, the 30-year Treasury briefly surpassed a yield of 5.00% before settling below that threshold..

INDICES

| | Oct 6 Close | Oct 2 Open | Weekly, %/BP Chg | Dec-22 | YTD Change |
|----------------------|-------------|------------|------------------|---------|------------|
| DJIA | 33,408 | 33,508 | -0.3% | 33,147 | 0.8% |
| S&P 500 | 4,309 | 4,288 | 0.5% | 3,840 | 12.2% |
| NASDAQ | 13,431 | 13,219 | 1.6% | 10,466 | 28.3% |
| Russell 2000 | 1,746 | 1,785 | -2.2% | 1,761 | -0.9% |
| KBW Bank Indx | 76.1 | 78.3 | -2.8% | 100.9 | -24.6% |
| VIX | 17.5 | 17.5 | -0.4% | 21.7 | -19.5% |
| Oil (WTI) | \$86.37 | \$91.14 | -5.2% | \$80.26 | 7.6% |
| Prime | 8.50 | 8.50 | 0.00 | 7.50 | 1.00 |
| BTFP Rate | 5.50 | 5.54 | -0.04 | 4.50 | 1.00 |
| 3m Tbill | 5.51 | 5.43 | 0.08 | 4.34 | 1.17 |
| 2yr UST | 5.08 | 5.09 | 0.00 | 4.43 | 0.65 |
| 10yr UST | 4.80 | 4.62 | 0.18 | 3.87 | 0.93 |
| 2-10yr UST Spread | -28 | -47 | 18 | -56 | 28 |
| 2y AAA Muni/10y UST | 73.9% | 72.2% | 1.7% | 60.4% | 13.5% |
| 10y AAA Muni/10y UST | 74.4% | 75.2% | -0.8% | 68.1% | 6.2% |
| 5yr Inflation Rate | 2.18 | 2.25 | -0.07 | 2.38 | -0.20 |

WEEK AHEAD

| | |
|------------------|-----------------------------------|
| Monday | No Major Reports |
| Tuesday | No Major Reports |
| Wednesday | Sep PPI, Sep FOMC Meeting Minutes |
| Thursday | Sep CPI |
| Friday | U of M Cons Sentiment |