



Monthly Market Pulse: Tricks Turned into Treats

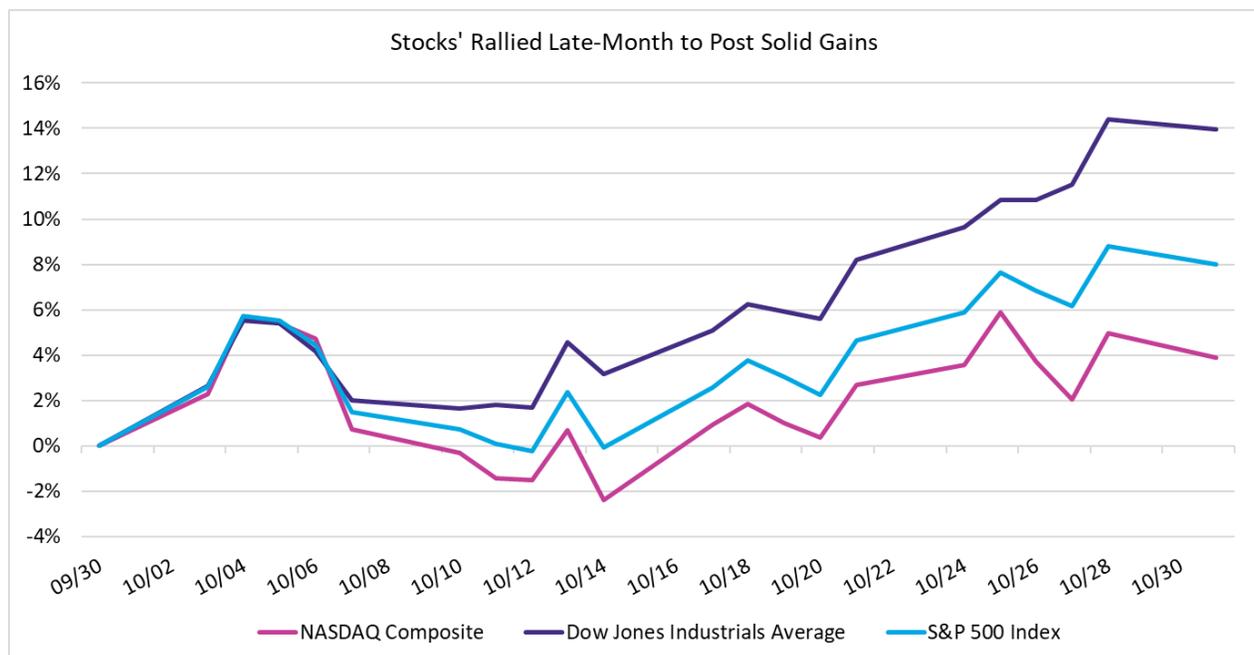
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Key Observations:

- Equities were volatile with the MSCI All Country World Index hitting year-to-date lows before rallying to finish up 6.1% for the month.
- Rates continued to increase across the U.S. Treasury yield curve, weighing on fixed income performance.
- Third-quarter corporate earnings season ramped up with mixed results thus far.

Investors who stayed the course in October were rewarded for their fortitude. Equities rallied, particularly international allocations as the U.S. dollar weakened modestly against a basket of major currencies, which boosted performance in dollar terms. Fixed income faced another difficult period, meanwhile, as yields across the U.S. Treasury maturity spectrum (yield curve) continued to rise. However, whispers about the potential for central banks (particularly the Federal Reserve and European Central Bank) to slow their pace of rate hikes, pushed rates lower heading into month-end. A ramp-up in S&P 500 companies reporting third quarter earnings, along with geopolitical intrigue abroad, also contributed to a volatile start to the fourth quarter.



Source: FactSet, Choreo as of 10/31/2022

U.S.

Major U.S. equity indexes rose across the board last month, with the S&P 500 Index (+8.0%) and Nasdaq (+3.9%) both bouncing off year-to-date lows to snap two-month losing streaks. The Dow Jones Industrial Average fared even better, finishing up 14.0% to post its best month since 1976. Further softening in economic data across the business housing and consumer segments led to renewed speculation about the potential for a deceleration in the Federal Reserve's pace of rate increases starting in December, as well as a reduction in the expected timeframe until policymakers will begin to reverse course.

Investors were also busy digesting third-quarter corporate earnings with more than 52% of S&P 500 constituents reporting by month's end. Year-over-year earnings growth was tracking to 2.2%, below the 2.8% expected at the start of the quarter. Stocks in the energy sector remained the standout, while disappointments were concentrated in the technology sector, with Facebook parent Meta leading to the downside while Apple bucked the trend with the help of better-than-expected iPhone demand. Despite lackluster profits this quarter, the forward-looking nature of financial markets suggests investors are already scrutinizing 2023 projections. Growth forecasts have already come down markedly, currently sitting at 5.7% from 9.7% at the beginning of the year, according to Bloomberg data. Should current figures come to fruition, and with valuations now bouncing around long-term averages, we see reasons for optimism amidst challenging headlines.

Overseas

Stocks in Europe kept pace with their U.S. counterparts as the STOXX Europe 600 Index rose 6.9% in October. The move came despite seemingly more pronounced headwinds. Namely, reports across major Eurozone economies suggest inflation has yet to peak in the region despite a marked decline in natural gas prices as storage levels have increased. Inflation readings in Germany and France came in hotter than expected, and price increases in Italy hit an all-time high. The data underpinned the European Central Bank's decision to increase benchmark interest rates by another 75 basis points (0.75%) when it met late-month. However, the decision was not unanimous, and a change in its approach to make decisions on a meeting-by-meeting basis suggested a greater emphasis on the potential recessionary impacts of further tightening going forward.

Meanwhile, Asia-Pacific equities were mixed. Broad strength across much of the region, including India (+5.2%), Australia (+6.0%), South Korea (+6.4%), and Japan (+2.3%) contrasted with weakness in Hong Kong (-14.5%) and China (-4.3%) as market participants grappled with the results of the Chinese Communist Party Congress that saw President Xi Jinping secure an extension to his position, as well as economic data that showed activity in the world's second-largest economy deteriorated further amidst ongoing turbulence in the country's real estate sector and late-month surges in Covid cases that threatened to shut down key manufacturing hubs across the country.

Conclusion

This month's gains, which came amid continued uncertainty about the future path of interest rates, signs that the global economy is starting to feel the effects of central bank actions, and ongoing geopolitical uncertainty, underscore the importance of sticking to your long-term investment plan. While volatility is likely to persist over the balance of the year and into 2023, we hope this serves as a reminder that emotional investing can lead to missed opportunities.

Nifty 50 Index: Benchmark Indian stock market index that represents the weighted average of 50 of the largest Indian companies listed on the National Stock Exchange.

ASX Index: Benchmark Australian Securities Exchange (ASX) index designed to measure the performance of the 200 largest index-eligible stocks listed on the ASX by float-adjusted market capitalization.

Kospi Index: Index of all common stocks traded on the Stock Market Division—previously, Korea Stock Exchange—of the Korea Exchange.

Nikkei 225 Index: Price-weighted equity index consisting of 225 stocks in the Prime Market of the Tokyo Stock Exchange.

Hang Seng Index: Free-float-adjusted market-capitalization-weighted stock-market index in Hong Kong consisting of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong

Shanghai Composite: Market-capitalization-weighted stock index that tracks the daily price performance of all A-shares and B-shares listed on the Shanghai Stock Exchange.

Opinions are as of the date referenced and are subject to change based on market or economic conditions. There is no guarantee that any of these expectations will become actual results.

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