



October 2021: Market Review

After a modest decline in September, global equity indices rallied in October on the back of solid third quarter earnings and economic data. Initial unemployment claims boosted sentiment throughout the month as they fell below 300,000 for the first time since the onset of the Covid-19 pandemic. Over half of the companies in the S&P 500 Index have reported third quarter earnings with 4 out of 5 companies posting positive earnings surprises. As such, the S&P 500 Index rose +7.0% in October and has appreciated +24.0% this year. The Dow Jones Industrial Average posted a gain of +5.9% during the month and is up +18.8% year-to-date. The NASDAQ Composite climbed +7.3% this month while the index is up +20.9% so far in 2021.

Third quarter GDP grew at a +2.0% annualized rate, falling well below expectations as lingering supply chain bottlenecks and the spread of the delta variant slowed economic growth in the quarter. Through September 30th, the Consumer Price Index has risen 5.4% over the past 12 months as persistent labor shortages and rising energy prices continue putting upward pressure on price levels. In Washington, Congress averted a debt crisis by passing a short-term debt ceiling bill that will need to be readdressed in December. Also, Congressional Democrats remain stuck on how to pass a bipartisan infrastructure bill along with a more partisan Build Back Better “soft” infrastructure bill, trimming their initial \$3.5 trillion spending plan down to \$1.85 trillion in the most recent proposal.

Within domestic equities, growth stocks outperformed value stocks across all capitalization sizes. The Russell 1000 Growth Index gained +8.7% while the Russell 1000 Value Index grew +5.1%. The Russell Midcap Growth Index increased +7.0% versus a rise of +5.3% from the Russell Midcap Value Index. The Russell 2000 Growth Index was up +4.7% while the Russell 2000 Value Index added +3.8%. Year-to-date value stocks have sizable leads overgrowth stocks in mid and small cap issues while growth stocks have outperformed value in large cap. Within commodities, WTI crude oil hit a 7 year high during the month, closing at \$84, up from \$75 at the end of September. Gold closed the month at \$1,783 per ounce, a gain of +1.6% from the previous month.

Major international equity indices rebounded in October as well, with the MSCI ACWI ex-U.S. Index appreciating +2.4% while the MSCI EAFE Index gained +2.5%. Similarly, China had a good month, gaining +3.1% as investors capitalized on the relatively attractive valuations. The MSCI Emerging Markets Index underperformed in October (+1.0%) as weakness in Brazil (-9.1%), South Korea (-2.3%), and India (-0.9%) weighed down returns.

U.S. fixed income markets were mixed over the month as inflation expectations grew and there’s an increased likelihood that the Federal Reserve will begin tapering bond purchases next month. The yield on the 10-year Treasury ended the month at 1.55%, modestly higher than its September close of 1.52%. The Bloomberg U.S. Aggregate Bond Index was unchanged at -0.0% while the Bloomberg Treasury 20+ Year Index climbed +2.3% over the month. The Bloomberg Corporate High Yield Bond Index was down -0.2% during the month.

Equities recovered in October as positive earnings reports and unemployment numbers outweighed inflation and supply chain concerns. As inflation remains elevated and job growth continues, the Federal Reserve seems ready to begin tapering asset purchases before the end of the year. The U.S. federal government is still at risk of shutting down in December as no progress was made on addressing the debt ceiling given that the White House and congressional Democrats seem to be more focused on passing two “infrastructure” bills. Despite these uncertainties moving forward, the U.S. economy continues to grow and remains strong.

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