I hope you are enjoying the beginning of autumn- such an amazing time for change! The markets agree as you may have seen, with sentiment improving during October as a more positive tone for U.S. equity markets returned versus the previous two months. Tallying the month of October, the S&P 500 tacked on [7.99%](https://go.levitate.ai/x/ckOEhey1/?t=3a0d2c37a7bb41fe9086c633cd25b2d8), the Nasdaq 100 added nearly 4 at [3.96%](https://go.levitate.ai/x/aWBUbdh9/?t=488d1e9dd6924f1baf5a0987f2dc00e3), and the Dow Jones Industrial Average rose by a whopping [13.95%](https://go.levitate.ai/x/X0mGd7sb/?t=adfa79255ca944848d70fa1de3548dc8)!

Overall, October featured hotter-than-expected inflation [data](https://go.levitate.ai/2022/10/13/heres-the-inflation-breakdown-for-september-2022-in-one-chart.html?t=96bc6ef68dc747a5b4faa8c5dbe2ff07), mixed earnings results, and higher equity index pricing, with notable strength in industrial sectors. In particular, hopes that the Federal Reserve would slow the pace of rate hikes played a key role in the more positive market sentiment for the month.

**Earnings Season Unfolds**

Earnings results for the third quarter have been mixed thus far, with tech companies having [softer](https://go.levitate.ai/2022/10/28/big-tech-falters-on-q3-2022-results-as-meta-has-worst-week-ever.html?t=98a9d7fa23984cd4938bb51ec48c60bb) earnings results than their [industrial company counterparts](https://go.levitate.ai/analysis/honeywell-shows-remarkable-strength-as-industrial-economy-flexes-muscle-200631665?t=0297359c9e77404f9d1684365f78584d).

There have been surprises, both negative and positive. Amazon missed analyst estimates for the third quarter and offered [weak guidance](https://go.levitate.ai/2022/10/27/amazon-amzn-earnings-q3-2022.html?t=845c61e9cba74f5fb3cdc7b0d9368a47) for the fourth quarter. Upon the announcement last week, Amazon stock was punished in after-hours trading. However, as markets reversed the next day with resilience, Amazon clawed back at some of its losses from the previous day.

In addition, earnings results have been [strong in the energy sector](https://go.levitate.ai/market360/2022/10/20221028-energy-companies-report-blowout-earnings/?t=64974ed1f1ca48c58f834d8baf0cb30d) for the third quarter, with Shell Plc’s quarterly profits more than doubling. As a result, there is now a planned [dividend hike](https://go.levitate.ai/2022/10/27/oil-giant-shell-plans-to-raise-dividend-as-it-reports-third-quarter-profit.html?t=5780533249a04ae490c511b23fd1e1b4) in the cards for shareholders.

Earnings season will continue into November.

**Bond Yields Firm**

Government bond yields rose for the third straight month in October. 2- and 10-year note yields remain inverted, with the 10-year note yielding [4.076%](https://go.levitate.ai/x/mtMTtknG/?t=cf24e9acdff943339378050ff365a71d) and the 2-year yielding [4.491%](https://go.levitate.ai/x/FnIrjKeQ/?t=b63b538b34e8462c845f28d84f09a11d) to close out October.

It is worth noting that government bond yields closed off their highs reached earlier in October, with the 10-year yield trading above 4.25% and the 2-year yield trading north of 4.6% earlier in the month.

**Strong Labor Market**

The U.S. jobs picture remained strong in October, with the most recent September data showing an increase of [263,000 jobs](https://go.levitate.ai/2022/10/07/jobs-report-september-2022.html?t=3d3429cf71e143f483bb7531eb95bc8a) and the unemployment rate falling to 3.5%.

The 263,000 jobs created were just short of Dow Jones estimates of 275,000 jobs. However, the unemployment rate of 3.5% was better than the estimates of 3.7%, helping to leave the door open for future Fed rate hikes.

The [labor force participation rate](https://go.levitate.ai/research/economic-bulletin/labor-market-may-remain-tight-until-labor-demand-cools-further/?t=a688a219caf1405aa47ac317bf4f37f1) edged lower to 62.3%, and the size of the labor force decreased by 57,000.

**Overview and Outlook**

The overall market sentiment shifted from extreme bearishness to a more positive slant for equities in October. There is an element of hope present in the market at this moment, with many hoping the Fed will slow its tightening or even pivot and begin cutting rates.

The optimism and bullish seasonals could provide a supportive backdrop going into the end of the year. However, inflation must cool down before the Fed can ultimately wrap up its tightening operations. We get our next look at consumer inflation via the Consumer Price Index (CPI) on Thursday, November 10th, eight days after the November Fed meeting.

Historically, November and December are a [strong time of year](https://go.levitate.ai/stock-market-seasonal-trends-when-is-the-best-and-worst-time-to-invest-in-stocks?t=caff4cd77dcb406d8d9fdc1bd0b16796) for U.S. equities. After October’s strong display for U.S. stock indexes, the November 2nd Fed meeting (and resulting outlook) could be critical drivers heading into the end of the year.

According to [data](https://go.levitate.ai/stocks-rally-history-end-of-year/?t=85cb38de065b445897d69ad47bd34fa1) from CFRA Research, the S&P 500 has risen in 60% of the Octobers, 66% of the Novembers, and 77% of the Decembers since 1945. Many market bulls are feeling enthusiastic about the next two months.

**An Important Reminder**

While investors may have been cheering over the last couple of weeks in October, it is wise to remain grounded and remember the long-term strategy. Sticking to the plan you've created with us at RFG- regardless of overall market sentiment- is historically prudent. Remembering this during times of market upturns is equally as critical as remaining resolved during market downturns.

With that said, how are things with you and your family? We would love to see you at our next client appreciation event- so be on the lookout for invitations! Please let us know if you have questions or if there is anything pertinent we need to review or discuss.

Enjoy this amazing fall weather!

Thankfully,

Your RFG Family