RFG Market Update: November Edition

We hope all is well with you! Today's message brings us back to focusing on the markets, so please read on and feel free to reach out to your team at RFG to discuss or revisit your own planning needs.

There was no shortage of market activity in October, with corporate earnings, a looming presidential election, and heavily scrutinized labor market data in the spotlight. Monthly payroll data showed extreme weakness on November 1st to get the fresh month started, but the U.S. stock indexes didn't mind too much on the first day of the trading month. We will see how markets further digest this data.

Tallying October (traditionally known as the most volatile month of the year), the S&P 500 fell by 0.99%, the Nasdaq 100 shed 0.85%, and the Dow Jones Industrial Average was lower by 1.34%.

Earnings Season Unfolds

Earnings results for the third quarter have been mixed thus far, with some Magnificent 7 companies' results disappointing and some results pleasing investors.

Shares of Meta and Microsoft fell on earnings (primarily because of future guidance, as earnings beat estimates) and sent a sour vibe through tech stocks during the last week of October. In contrast, shares of Amazon rose on positive results and provided a much-needed boost in sentiment to end the week.

As of November 1st (with 70% of S&P 500 companies reporting actual results), 75% of S&P 500 companies have reported actual earnings per share (EPS) above estimates. In aggregate, these S&P 500 companies are reporting earnings that are 4.6% above estimates, below the five-year average of 8.5% and below the 10-year average of 6.8%, according to data from FactSet.

Earnings season will continue into November.

Inflation: Mixed

Inflation data was mixed in October.

Consumer Price Index (CPI): Data showed a slight warming in inflation on the consumer level. September data, released in October, showed a monthly increase of 0.2% – 0.1% higher than estimates. Annually, the inflation rate was 2.5% year-over-year, the lowest since February 2021 but still a tick higher than Dow Jones consensus estimates for 2.4%.

Core CPI, which excludes food and energy, tacked on 0.3% for the month versus expectations for 0.2%, putting the annual core CPI rate at 3.3%.

Once again, shelter and food prices were the main culprits for the rise in overall consumer inflation, accounting for more than three-quarters of the rise in the all-important consumer inflation metric.

Producer Price Index (PPI): Producer pricing (wholesale pricing) data for September, released in October, showed no change, coming in below Dow Jones estimates for a 0.1% monthly rise. Major stock indexes reacted positively to the data on the day of the data release.

Core Personal Consumption Expenditures (Core PCE)**:** Ending the month of October, we got mixed Core PCE price index data:

- The annual *core* inflation rate held at 2.7% versus forecasts for a dip to 2.6%.
- The personal consumption expenditures (PCE) price index increased by 0.2%, aligning with the consensus forecast.
- The 12-month headline inflation rate decreased to 2.1%, which matched estimates and was the lowest headline PCE inflation rate since February 2021.

It remains a mixed picture regarding inflation at the present time.

Labor Market

This data has been driving markets, and a twist and turn surfaced on the November 1st data released. But before we get into that, let's lay the foundation.

The Federal Reserve implemented its first rate cut of 50 basis points in September in response to weakness in labor market data.

September Labor Data (October 7th data release): The first labor market data after the Fed's rate cut was on full display, with 254,000 jobs created versus Dow Jones estimates for 150,000. The unemployment rate declined by a tick to 4.1% from the previously reported month.

Verdict at the time: The economy is hot — is it too hot? That would change in the next data release.

October Labor Data (November 1st data release): Only 12,000 jobs were created in October, and August and September totals were revised lower by 112,000 combined — not great for the labor market, but maybe good news for rate cut watchers.

The lowest monthly job creation total since 2020 was perhaps somewhat expected, with the effects of Hurricanes Helene and Milton taking their toll last month on the labor market.

As disappointing as the data was, major U.S. equity indexes held together well on the day of, with the Nasdaq, Dow, and S&P 500 all having a positive day.

Bullish Seasonal Strength?

Historically, November and December are a strong time of year for U.S. equities.

After October's dismal yet resilient showing for U.S. stock indexes, market watchers were debating the opportunities in stocks at the start of November, given the inherent uncertainties.

According to 2022 data from CFRA Research, the S&P 500 has risen in 60% of Octobers, 66% of Novembers, and 77% of Decembers since 1945.

An Important Reminder

With the election and Fed meeting occurring the first week of November, it’s good to remember that emotions can often lead long-term investors to make hasty decisions that may harm their portfolios in the long run. Consider what happened in 2020 as a prime example.

Timing the market is incredibly challenging. This is why we emphasize the importance of long-term investing. It's crucial to remember this not only during market downturns but also during periods of market growth.

With that overview noted we are always here as a resource for you and available to discuss anything on your mind! Feel free to direct any of your questions or concerns to your team by emailing us at Info@PlanWithRFG.com or call us at 513.232.6500.

Wishing you an amazing November!