

Weekly Update – October 16, 2023

Market Returns Ending 10/13/2023			
Category	1 Week	QTD	YTD
US			
Large Cap	0.5%	1.0%	14.2%
Mid Cap Growth	-0.5%	-0.6%	9.2%
Mid Cap Value	0.1%	-1.4%	-0.9%
Small Cap	-1.5%	-3.6%	-1.2%
International			
Developed	1.0%	-0.9%	6.7%
Emerging	1.5%	-0.1%	1.9%
Bonds			
Aggregate	1.0%	-0.23%	-1.4%
High Yield	0.5%	-0.7%	5.1%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	0.4	0.4	0.3
Mid	0.1	-0.1	-0.5
Small	-0.7	-1.5	-2.3
	YTD		
	Value	Core	Growth
Large	0.7	13.8	27.9
Mid	-0.9	2.7	9.2
Small	-3.8	-1.2	1.0

Source: Bloomberg

Key Events: War

Hamas launched a surprise attack on Israel, which is being met with a massive response. Tensions in the middle east remain high.

Disfunction continues in Washington as Republicans have failed to elect a Speaker of the House.

Market review: Flight to quality

Tension between recession and strong earnings resulted in flat returns for Large cap stocks. Small caps' exposure to recession resulted in losses.

Despite middle east tensions, international stocks performed well. Bonds experienced extraordinary volatility but ended the week with gains amidst a flight to quality.

Outlook: Earnings season preview

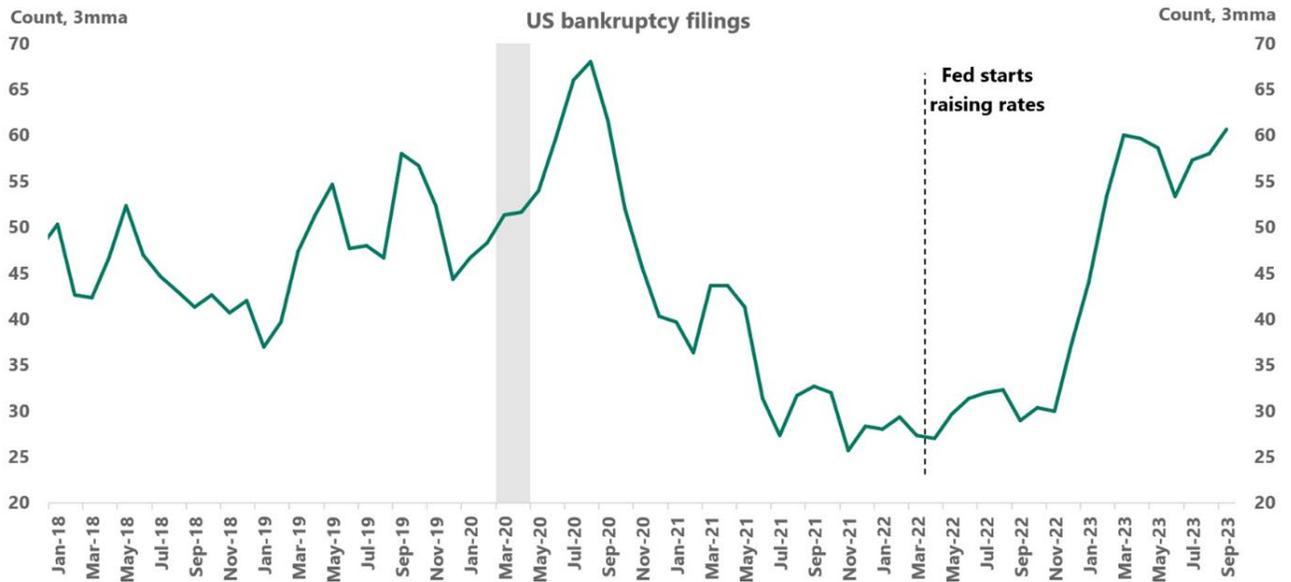
The third quarter earnings season kicks into high gear this week, and estimates have improved. The index is expected to show 0.4% earnings growth, the first quarter of year-over-year growth since the third quarter of 2022.ⁱ

Strong earnings are being driven by an increase in profit margins, a significant improvement from 6 quarters in a row of declining marginsⁱⁱ. While this has driven stocks higher, the increase in bankruptcies highlights margin pressures, dulling our optimism for future profits.

As we begin to look towards 2024, we continue to be focused on diversification, maintaining exposure to areas of the stock market where valuations give us a greater margin of safety.

Fed hikes pushing bankruptcy filings higherⁱⁱⁱ





OneAscent Navigator Outlook: October 2023

VALUATION

- Bond interest payments are higher than equity earnings yield for the first time since 2002
- Bond yields continue their across-the-board increases; yields suggest solid returns
- While AI hype has driven technology stock valuations up, the broad market remains in the middle of its long-term range

SENTIMENT

- Investor sentiment has dipped, with bullish % dropping to the lowest level since May.
- Consumer sentiment dropped, with both current situation and expectations failing to follow through on recent strength
- A bullish investor sentiment reading is offset by weakness in the consumer this month



ECONOMY

- Oil prices – and inflation – may remain high due to OPEC cuts and a depleted SPR.
- Earnings estimates continue their recovery
- Increased interest expense will pressure corporations
- Increased bankruptcy filings indicate stress in the corporate sector.

TECHNICAL

- Tech stocks remain above trend but have failed to break through their 2021 high water mark.
- Market breadth broke down in September during the stock market's pullback.
- Stocks often rally during the fourth quarter. 2024 is the 4th year of the presidential cycle, typically a strong year for stock returns.



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ⁱ Source: FactSet

ⁱⁱ Source: FactSet

ⁱⁱⁱ Source : Apollo Investments [Bankruptcies Rising Because of Fed Hikes - Apollo Academy](#).

^{iv} Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield