



Goodman FINANCIAL

MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY
SERVING CLIENTS FOR OVER 30 YEARS

Q3 2023

MARKET & ECONOMIC REVIEW

Major Equity Market Indexes & Commentary

INDEX	DESCRIPTION	6/30/23	LOW CLOSE	HIGH CLOSE	9/30/23	QTD RETURN*
S&P 500	A market-capitalization weighted index of 500 large U.S. companies.	4,450	4,274	4,589	4,589	↓ -3.6%
DJIA	Dow Jones Industrial Average or "The Dow"; A price-weighted average of 30 major U.S. companies.	34,408	33,508	35,631	33,508	↓ -2.6%
Nasdaq Composite Index	A market-capitalization weighted index comprised of over 3,000 companies, mostly in the technology and biotech industries.	13,788	13,064	14,358	13,219	↓ -4.1%
Russell 2000	A market-capitalization weighted index tracking U.S. small-cap stocks.	1,889	1,762	2,003	1,785	↓ -5.5%
NIKKEI 225	A price-weighted index comprised of Japan's top 225 most established companies (in Yen).	33,189	31,451	33,753	31,858	↓ -4.0%
MSCI Emerging Markets	An index comprised of 23 MSCI indices from emerging economies including Brazil, China, India, Mexico, Russia, South Africa, and the UAE.	989	944	1,047	953	↓ -3.7%
Stoxx Europe 600	An index comprised of 600 companies based in one of 18 EU countries including Austria, Belgium, Denmark, France, Germany, Ireland, Spain, and the United Kingdom (in Euro).	462	447	472	450	↓ -2.5%

* Excludes effects of dividends

Sources: FactSet

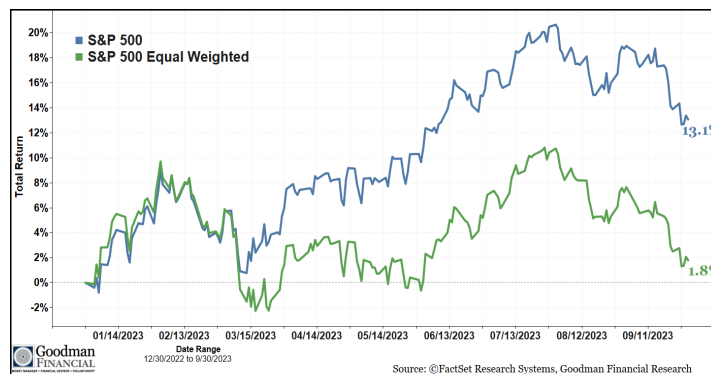
EQUITY MARKETS COMMENTARY

- The third quarter reflected a change in sentiment as the year-to-date rally in stocks came to an end and all major U.S. equity indexes recorded their first quarterly decline of the year. As we have discussed previously, the year-to-date returns in the large-cap benchmarks have been driven by a small group of mega-cap companies humbly known as the "Magnificent 7" which have a 43% weighting in the Nasdaq 100 index and a 27% weighting in the S&P 500 index. As seen in the chart on the right, an equal-weighted S&P 500 index tells a different story of performance this year compared to the normal, market cap-weighted S&P 500, which is up over 13% in the first three quarters, while the equal-weighted index is up less than 2% on a total return basis.
- As mentioned previously, all major U.S. equity indexes declined in the quarter. The Dow Jones Industrial Average lost -2.6%, which was less than the other large-cap benchmarks due to relatively lower exposure to the Magnificent 7. The S&P 500 and Nasdaq Composite dropped -3.6% and -4.1%, respectively. Small- and mid-cap indexes continued to underperform large-caps as the Russell 2000 small cap index fell -5.5% during the third quarter and the S&P 400 mid-cap index was down -4.2%.
- International stock indexes were also down during the quarter driven by similar factors impacting the US market including economic uncertainty and rising interest rates. As seen in the table above, the NIKKEI 225 lost -4.0%, the MSCI Emerging Markets index dropped -3.7%, and the Stoxx Europe 600 dropped -2.5%.

Table Comprised of the Following Indexes:

S&P 500 Large-Cap Total Return Index
S&P 500 Large-Cap Value Total Return Index
S&P 500 Large-Cap Growth Total Return Index
S&P 400 Mid-Cap Total Return Index
S&P 400 Mid-Cap Value Total Return Index
S&P 400 Mid-Cap Growth Total Return Index
S&P 600 Small-Cap Total Return Index
S&P 600 Small-Cap Value Total Return Index
S&P 600 Small-Cap Growth Total Return Index

Q3 2023 Market Segment Returns			
	Value	Blend	Growth
Small Mid Large	-4.1%	-3.3%	-2.6%
	-5.2%	-4.2%	-3.2%
	-5.6%	-4.9%	-4.3%





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MARKET & ECONOMIC REVIEW

Fixed Income Rates & Commentary

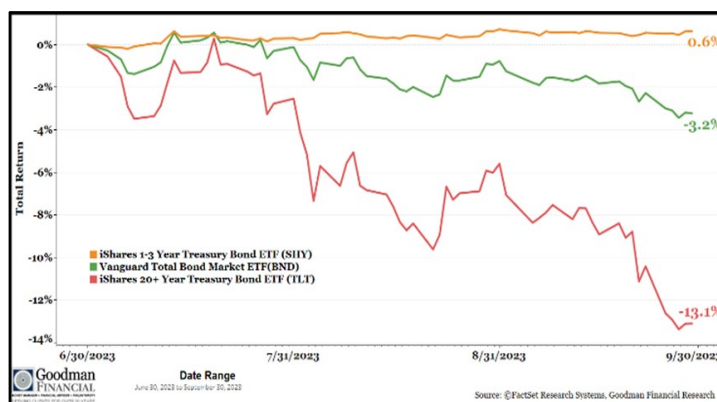
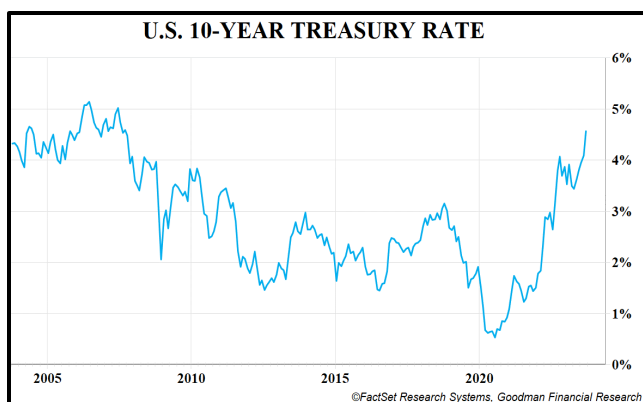
DESCRIPTION	6/30/23	9/30/23	QTD CHANGE IN BASIS POINTS*	DESCRIPTION	6/30/23	9/30/23	QTD CHANGE IN BASIS POINTS*
Federal Funds Target Rate	5.00%- 5.25%	5.25%- 5.50%	↑ +25	15 Yr. Mortgage Rate	6.06%	6.72%	↑ +66
90 Day Treasury Bill	5.43%	5.55%	↑ +12	30 Yr. Mortgage Rate	6.71%	7.31%	↑ +60
2 Yr. Treasury Note	4.87%	5.03%	↑ +15	Prime Rate (U.S.)	8.25%	8.50%	↑ +25
10 Yr. Treasury Note	3.81%	4.57%	↑ +76	LIBOR (3 Month)	5.55%	5.66%	↑ +11
30 Yr. Treasury Bond	3.85%	4.71%	↑ +84	5-Year CD	1.37%	1.38%	↑ +1

*One basis point is equal to 1/100th of 1% or 0.01%

Sources: FactSet, Wall St. Journal, U.S. Treasury

FIXED INCOME COMMENTARY

- The Federal Reserve (the Fed) raised the Federal Funds target rate by another 25 basis points at the July meeting to a range of 5.25% to 5.50%. The resiliently strong US economy remains a headwind for markets due to expectations that the Federal Reserve will keep rates higher for longer. There is an approximately 30% chance the Fed will raise rates again in 2023, nevertheless, the aggressive tightening campaign may be close to the end which could set the stage for potential rate cuts in 2024.
- In the bond market, yields rose across the board again this quarter, as seen in the table above. Long-maturity interest rates posted their biggest quarterly advance since 2009 as the 30-year Treasury Bond yield jumped 84 basis points. The yield on the 10-year Treasury Note advanced 76 basis points reaching the highest level since July 2007, as seen in the chart below on the left. The rising 10-year Treasury yield is putting upward pressure on mortgage rates, with the 30-year fixed mortgage rate ending the third quarter at 7.31%.
- Shorter maturity rates rose more modestly with the 90-day Treasury Bill and 2-year Treasury Note yields rising 12 and 15 basis points, respectively. The chart on the right shows a positive return for the shorter-term iShares 1-3 Year Treasury Bond ETF (SHY) compared to losses in the Vanguard Total Bond Market ETF (BND) and the iShares 20+ Year Treasury Bond ETF (TLT). GFC fixed income portfolios have benefited from holding bonds with shorter maturities.





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MARKET & ECONOMIC REVIEW

U.S. Economic Commentary

INDICATOR	DESCRIPTION	6/30/23	9/30/23	QTD CHANGE
Weekly Initial Claims for Unemployment Insurance (in Thousands)	The number of new filings for unemployment insurance benefits. Most economists believe claims below 300,000 indicate a healthy labor market environment. Weekly initial claims are still historically low, indicating a healthy and resilient labor market.	248	207	↓ -16.5%
Unemployment Rate	The percentage of total labor force that is unemployed but actively seeking employment. The U.S. Federal Reserve targets a long-run unemployment rate of between 4.5% and 5%. Despite the slight rise this quarter, the unemployment rate remained historically low indicating ongoing strength in the job market.	3.6%	3.8%	↑ +20 bps
Average Weekly Earnings	The average weekly salary earned by private, nonfarm employees. Wage growth of 0.8% during the quarter and 3.6% over the past year has been driven by employers competing for a limited number of workers.	\$1,155	\$1,165	↑ +0.9%
Index of Consumer Sentiment	This index is published by the University of Michigan and reflects consumer attitudes towards the state of the economy. Sentiment rose from the prior quarter but remains historically low given multiple sources of uncertainty about the trajectory of the economy.	64.4	68.1	↑ +5.7%
ISM Purchasing Managers Index (PMI®)	This index represents economic activity in the manufacturing sector. Any value above 50.0 represents economic expansion. The index rose unexpectedly but remains below 50 indicating that economic activity is generally declining rather than expanding.	46.0	49.0	↑ +6.5%
Existing Home Sales (in Millions) *	This data is provided by the National Association of Realtors®. It is a seasonally adjusted annualized rate and reflects completed transactions in houses, townhomes, and condominiums. The drop in existing home sales has coincided with the recent jump in mortgage rates.	4.30	4.04	↓ -6.0%
US Capacity Utilization: Manufacturing *	The ratio of production capacity being used to produce finished products compared to the total capacity available. Utilization ticked down slightly from last quarter and was flat from the prior month. Manufacturing utilization is now 0.3% below the long-run average.	78.4%	77.9%	↓ -50 bps

*These items are as of 8/31/23, the date of the most recently published statistics

Sources: FactSet, Federal Reserve Bank of St. Louis, The University of Michigan, U.S. Census Bureau, U.S. Department of Labor, Institute of Supply Management

U.S. ECONOMIC HEALTH

- The number of Americans filing for initial unemployment benefits inched higher by 2,000 to 207,000 in the last week of September. Unemployment filings remain close to the seven-month low of 202,000 from earlier in the month. Meanwhile, the most recent unemployment rate reading from September of 3.8% shows the unemployment rate stayed below 4%, a level that has not been breached since January 2022, and has driven elevated recent wage growth as seen in the chart on the left. The data added to evidence that the labor market remains at historically tight levels, which may pressure the Federal Reserve to hold the Federal Funds rate higher for longer.
- The latest housing market data from August shows existing homes sales down -6.0% from the prior quarter while new home sales fell -8.7% from the prior month, the biggest drop in 11 months. Pending home sales in the United States plummeted by -18.7% year-over-year in August with all four regions of the US posting decreases in transactions. The sharp decline in the third quarter is not surprising given the 30-year fixed rate mortgage reached a level not seen since early 2000 and has continued to climb in the first week of October.
- The ISM Purchasing Managers Index rose to 49.0 in September as seen in the chart on the right. The data has shown that US factory activity contracted every month for nearly a year as indicated by a reading below 50.0, but the slowdown has moderated recently with manufacturing now contracting at a slower pace.

