MOE'S MARKET WRAP MINUTE

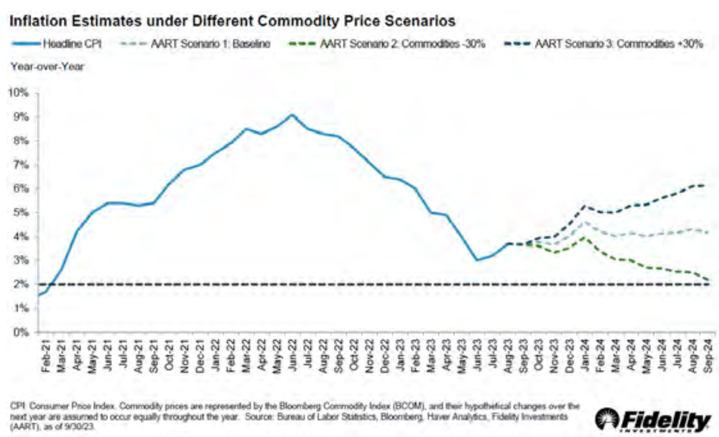
WEEK OF OCTOBER 30, 2023

MOE'S MARKET MENTIONS

- The S&P500 made an intra-year high of 4,607 on July 27 2023. Since that time, the market has declined ~11% to an intra-day low of 4,103 on October 27, 2023. This -10% decline is a correction and begs the question as to whether there is further downside from here.
- Technically, if we can hold these 4,100 levels for the next couple of weeks that could be the basis for a year-end year rally or at least stability. The market did fill a gap from May 24, 2023 at 4,115. Markets tend to go back and fill gaps, so filling the gap and a current slightly oversold market does set up the possibility for a technical bounce into year-end.
- It seems that the main driver of the downward move in the S&P500 has been the sharp upward move in the US 10-year Treasury rate. On September 21, 2023, the 10-year rate broke above its October 21, 2022 high of 4.33% and reached 4.99% last week. Since the beginning of September, the rate has moved up 0.9%. Historically, upward moves of 0.5% or more in any given month have led to market declines.
- The key stabilizer for the market for the rest of the year will be where the US 10-year interest rate goes. Our technical upside target projection for the rate was 5% and we are there now. Continued easing inflation data will be necessary for the 10-year to stabilize and possibly decline slightly into year-end.
- Q3 earnings have been generally positive, but the market is worried about higher rates, so until this macro headwind is resolved, the market will remain range bound. After this week we will be through the majority of earning announcements, so the biggest buyer of stocks – US Corporations – will be able to resume their stock buyback programs and hopefully led to some additional stability in the markets.
- A move in the 10-year rate above 5% in the coming weeks would be a worrying sign that valuations still have more room to the downside so that is what we are watching closely over the next couple of weeks.

CHART OF THE WEEK

With interest rates on the market's mind, a projection on future inflation is necessary to understand where inflation and thus rates go from here. Commodity prices are a transient piece of the inflation calculation that waxes and wanes with events over time. Overall commodity prices have been in a sharp decline since the Ukrainian conflict started and range bound since the beginning of the year. We believe that a slight economic slowdown due to tighter global monetary policy will continue to keep commodity prices in check to possibly slightly lower. Couple that with potentially easing housing/shelter inflation data as projected by current declining rents, this points to a subdued inflation picture going forward and thus the possibility for interest rates to stabilize or decline throughout 2024.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

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Moe Ansari is the President, Chief Investment Officer, and founder of Compak Asset Management. With over 35 years of investment experience, Moeez evaluates the markets using industry-leading technical and fundamental analysis.

His professional experience includes options trading, portfolio optimization, futures trading, mutual fund selection modeling and financial risk management. He is a nationally sought speaker and has conducted numerous financial seminars since the 1980s.

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