Q3 2023 Quarterly Market Commentary

"In many ways, the stock market is like the weather, in that if you do not like the current conditions, all you have to do is wait. -Lou Simpson

The third quarter of the year marked the end of summer and the beginning of autumn. The leaves are starting to change, and the cooler weather is welcome. The kids are back to school, and we finally have football again. With all the good things that we can point to the markets were there to remind us that, as one of my college football coaches may have said best, "Every day ain't the Rose Bowl." The S&P 500 Index returned -3.27 percent during the quarter and the bond market didn't fare much better. The Bloomberg Barclays US Aggregate Bond Index returned -3.23 percent in what looked like a flashback of what we saw during 2022. The stock and bond markets both being down at the same time hasn't happened often historically but, unfortunately, it hasn't really felt like that to all of us. Looking at the markets daily during the third quarter wouldn't leave you with much optimism. Despite the negative returns and volatility that we saw during the quarter, however, the S&P 500 Index is still up a healthy 13.06 percent year to date. So, was this a healthy pullback from markets or were they signaling that more trouble may be ahead?

This is the question that has consumed markets since January of 2022. If you remember, market prognosticators have been making recession calls consistently since then, and although we technically met the definition of a recession with negative GDP readings in both Q2 and Q3 of 2022, most felt as if the worst was yet to come. The Federal Reserve engaged in the quickest tightening of monetary policy in history, and it has been forthright about keeping rates at “sufficiently restrictive” levels for the foreseeable future in order to tame the highest levels of inflation that we have seen since the 1970’s. It isn’t hard to find recession indicators flashing red.

Regards,

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