



Stock Prices Pause After Five Consecutive Months of Gains

SEPTEMBER 2023



Major stock indices fell in August with the S&P 500 declining 1.5% after five consecutive months of strong gains. The tech-heavy Nasdaq and the Dow Jones Industrial Average both fell 2% for the month.

Among the 11 sectors in the S&P 500, nearly all declined in value in August. Energy was the only sector that posted a positive return, increasing nearly 2%.

On a year-to-date basis through August, the S&P 500 climbed nearly 19%. However, the market in 2023 has been favoring large well-known technology-oriented companies such as Amazon, Apple, NVIDIA, and Microsoft. These companies were responsible for a large part of the S&P returns since the beginning of 2023.

From a broader perspective, growth companies have significantly outperformed value stocks and large-cap stocks have generally outpaced their smaller counterparts. For example, the Russell 1000 Growth Index, made of larger growth stocks, has risen 32%, while its Russell 1000 Value counterpart only rose 6% on a year-to-date basis through August.

Toward the end of August, Federal Reserve Chair Jerome Powell indicated that the economy continues to grow faster than expected and the consumer remains strong, which are trends that could keep inflation high. Therefore, another rate increase may occur later this year depending on the data. While inflation has cooled to 3.2% over the past 12 months as of August 2023,¹ it remains higher than the central bank's 2% target.

Job growth was slower in July as employers added only 187,000 jobs. As a result, the unemployment rate rose 0.3% and now stands at 3.8%.² However, the job market remains strong enough that many companies are maintaining their workforce and paying them more. In fact, wages rose over 4% compared to a year ago. The U.S. consumer remains healthy as well, and spending has been rising. Consumer spending, which makes up 70% of U.S. economic activity, rose nearly 1% in July.³

Short-term losses in the stock market, such as the decline in August, are normal. In fact, historically over the past 40 years, the S&P 500 falls, on average, about four of the 12 months each year. However, it's more important to focus on your long-term investment goals and position your portfolio to benefit from inevitable market gains. As summer comes to an end and children return to school, you may want to take this time to revisit your long-term plans with your Financial Advisor and make sure they align with your overall investment portfolio.

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¹ U.S. Bureau of Labor Statistics, 8/10/23. ² Bureau of Labor Statistics, U.S. Department of Labor, 9/1/23. ³ Bureau of Economic Analysis, 8/31/23.

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