WEEKLY MARKET RECAP: September 25 – September 29, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Last week, the FOMC left policy rates unchanged at the current range of 5.25-5.50%. In its post-meeting statement, the FOMC maintained its hawkish bias, noting the "solid pace" of economic growth and that "inflation remains elevated." Additionally, the FOMC's dot plot showed that the committee currently expects to hike once more before the end of the year and only cut by 50bps in 2024. Putting all this together, for markets, Wednesday's FOMC meeting reiterated the "high for longer" narrative for interest rates and highlighted the importance of active management in the equity market. As we show in this week's chart, higher interest rates typically correspond to an elevated level of equity return dispersion. Currently, S&P 500 return dispersion, on a LTM basis, is sitting at levels not seen since early 2010.

At the sector level, energy stocks have had a strong quarter due to the uptick in oil prices and an emphasis on prioritizing shareholder returns over the last ~18 months. In contrast, while the tech-oriented sectors are still up year-todate, performance has moderated on a quarter-to-date basis as the AI-driven rally has faded and higher interest rates weigh on valuations. Similarly, consumer discretionary has seen performance wane in 3Q, despite strong earnings results, as corporate guidance points toward a weakening outlook. Materials and industrials have struggled as well due to weakening manufacturing activity, while health care, utilities and real estate are currently all lagging the index due to elevated labour costs and higher rates. Looking ahead, we expect this divergence in performance within the S&P 500 to persist due to above average inflation, elevated interest rates and an uncertain economic outlook. In such a scenario, investors should have a preference for low beta stocks with positive cash flows outside of capital-intensive industries.

Thanks for reading! Have a great weekend.

AUSPRIME is a Tradename of AC Markets (Europe) Limited which is registered in Cyprus, authorized, and regulated by the Cyprus Securities and Exchange Commission (CySEC) under the license number 350/17

+357 25 752 420 +357 25 752 450 info@ausprime.eu

Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol