UBS

The Howard Group
Market Commentary

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Quick Market Update
10/27/2023

-Gray Howard, Senior Portfolio Manager

We will be sending out our November note next week, but I wanted to provide a quick update before the weekend as this continues to be a challenging market environment.

I felt the S&P 500 had potentially found a near-term bottom on Friday October 6th based on the oversold conditions and the classic intraday reversal. [1]
However, after about a 4% rally, the S&P 500 stalled out at its 50-day moving average and is now testing levels last seen in mid-May.[1] While it has certainly been a frustrating few months, this pullback still falls within the framework of a typical 10% correction which historically tends to happen around September or October. [2]

Also, keep in mind that the S&P 500 is still up 7% for the year while the Nasdaq 100 is up 29% for the year.[1] Many will argue that most of the gains can be attributed to the larger tech stocks, but these are fantastic innovative companies, with multiple business lines, tons of free cash flow, and got hammered last year.[3] While I would love to see the market broaden out, this has been a stock pickers market for sure and it would be just as crazy to blame the Kansas City Chiefs for the Carolina Panthers 0-6 start. The Chiefs are a great team and you can pick up a whole section of Panthers tickets right now for the price of just one Taylor Swift ticket.[4] All the reason to have a flexible portfolio manager that has the ability to move to where the opportunities are.

While we may have a little more downside from here, I'm expecting at least an oversold bounce in the next few days and the quality of the bounce will indicate whether the bullish year-end setup, that I've been discussing, is still intact. Clearly there is no shortage of negative news, but keep in mind, markets are forward looking and most of this news has likely been priced in, in my view.

Interestingly, with all the geopolitical risk, bond yields have remained elevated, indicating that US treasuries are not the safety trade they once were.[1] Ultimately this could be viewed as a positive as it sends a very clear message to Washington that the gravy train of spending with no consequences is coming to an end and serious people will have to have serious conversations. (More on this in our November note.)

In the meantime, the S&P 500 is trying to find support around the 4100 level which is a 10% pullback from the July 27th high.[1] My sense is the market will be pretty tepid as we head into the weekend, but I encourage investors not to panic and wait for the potential oversold bounce and then we can reassess the bullish year-end set up next week.

Lastly, it's always important to remember that the stock market typically finds a bottom when the news flow goes from horrible to less bad. Over the weekend, try and assess the mood of your friends and family as it relates to the economy and markets. If most are very concerned and see little hope on the horizon, we could be very close to the end of this correction and brighter days are around the corner.

Please feel free to reach out if you have any questions or feedback.

Have a great weekend.

All the Best,
Gray

Please note: *If you do not have assets under management with our group and would like more information, please let us know.*

Also, If you've been forwarded this email and would like to be included on future commentary, please feel free to reach out to hilary.miller@ubs.com.

Sources;

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4. https://www.latimes.com/entertainment-arts/story/2023-07-27/explaining-the-complicated-world-of-ticketing