

# Market Overview

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## YIELDS CONTINUE TO RISE, PUTTING RENEWED PRESSURE ON BONDS

### THE MONTH AT A GLANCE, SO FAR

	MTD
S&P 500	-1.20%
MSCI EAFE	0.03%
MSCI Emerging Markets	0.61%
Bloomberg US Aggregate	-1.09%

All returns are total returns as of the date of the report unless otherwise noted.

Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses. The results don't reflect any particular investment. Past performance is not indicative of future results.

Despite recent optimism about declining inflation, the Consumer Price Index (CPI) recorded its largest monthly increase this year, up 0.6% in August<sup>1</sup>. On an annual basis, prices rose 3.7%, compared to 3.2% in July<sup>1</sup>. Core inflation, which excludes more volatile food and energy prices, rose 0.3% in August, marking the first acceleration in six months<sup>1</sup>. Since February, year-over-year core inflation has consistently outpaced headline inflation, however, the silver lining is that core inflation continues to improve by falling to 4.3% in August, from 4.7% in July<sup>1</sup>. Transportation-related items replaced shelter as the largest contributor in August<sup>1</sup>. Surging energy and gas prices were a large contributor to the monthly increase; however, the latest consumer sentiment report showed the median expected year-ahead inflation rate decreased to the lowest levels since March 2021<sup>2</sup>. While it appears that consumers believe the slowdown in inflation will continue, overall low levels of optimism may mean it would not take much for the economy to slide into a contraction.

The labor market continues to soften and has thus far been as smooth as policymakers could have hoped. Seasonally adjusted jobless claims remain close to pre-pandemic levels, with employee retention higher than expected<sup>3</sup>. Despite this, economists anticipate the labor market to cool further, with jobless claims expected to rise in the fourth quarter as layoffs continue<sup>3</sup>. While the strong labor market has led to wage growth, with nominal wages growing by 5.3% in August, wage gains have also been cooling since July 2022<sup>4</sup>. At the current rate, wage growth may be expected to reach pre-pandemic levels later this year or early in 2024.

Headline retail sales rose 0.6% in August<sup>5</sup>, stronger than the consensus estimate of 0.1%. However, in real terms, retail sales declined by 0.1%, suggesting a slight decline in overall real consumer spending last month. Among the factors affecting retail sales are dwindling excess savings, increasing credit card balances, and a softer labor market<sup>3</sup>. Tighter economic conditions due to cumulative Fed rate hikes and inflationary headwinds are weighing on consumption, including the resumption of student loan repayments.

1. Bureau of Labor Statistics, <https://www.bls.gov/news.release/cpi.nr0.htm>  
2. University of Michigan, <http://www.sca.isr.umich.edu/>  
3. Bloomberg Economics  
4. Federal Reserve Bank of Atlanta, <https://www.atlantafed.org/chcs/wage-growth-tracker>  
5. Census Bureau, <https://www.census.gov/retail/sales.html>

Source: Helios Quantitative Research, Bloomberg  
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Equity Markets	MTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>S&amp;P 500</b>	-1.20%	17.29%	15.99%	11.08%	10.78%	12.27%
Russell Midcap	-1.96%	7.25%	6.41%	8.94%	6.84%	9.38%
Russell 2000	-2.70%	5.98%	2.74%	7.63%	2.76%	7.19%
<b>MSCI ACWI</b>	-0.64%	14.07%	14.96%	7.55%	7.44%	8.01%
MSCI EAFE	0.03%	10.90%	20.01%	5.95%	4.37%	4.39%
MSCI Emerging Markets	0.61%	5.19%	5.52%	-1.53%	1.61%	2.42%
<b>Fixed Income Markets</b>						
<b>Bloomberg US Aggregate</b>	-1.09%	0.26%	-0.53%	-4.80%	0.38%	1.43%
Bloomberg US Treasury	-1.09%	-0.39%	-1.59%	-5.48%	0.12%	0.87%
Bloomberg US Corporate	-1.18%	1.55%	1.33%	-4.66%	1.24%	2.55%
Bloomberg US MBS	-1.10%	-0.15%	-0.93%	-4.40%	-0.37%	1.01%
Bloomberg Municipal	-0.36%	1.23%	2.83%	-1.44%	1.54%	2.73%
Bloomberg US Corporate High Yield	-0.11%	7.01%	7.46%	1.86%	3.23%	4.41%
Bloomberg Global Aggregate	-1.53%	-0.80%	0.34%	-6.61%	-1.43%	-0.09%
<b>Alternative Markets</b>						
Dow Jones US Real Estate	-0.75%	1.78%	-4.44%	3.04%	3.62%	6.67%
Bloomberg Commodity	1.36%	-4.73%	-8.73%	14.39%	5.44%	-1.83%
Wilshire Liquid Alternative Index	0.18%	3.34%	2.92%	1.94%	1.66%	1.58%

## MARKET HIGHLIGHTS

- Within US equity markets, small cap underperformed the S&P 500 with the Russell 2000 lagging its larger peer by 150 basis points through September 15<sup>th</sup>. Mid caps also lagged, though to a lesser degree with the Russell Midcap lagging the S&P 500 by 76 basis points.
- Internationally, both developed and emerging markets outperformed US equity markets with the MSCI EAFE Index up (just barely) 0.03% and the MSCI Emerging Markets Index up 0.61%.
- Yields continued to shift upwards, putting pressure on bond prices. The Bloomberg US Aggregate Index fell 1.09% in the first half of December with most major sectors in line with the aggregate index though corporate bonds slightly underperformed, falling 1.18%.

Source: Helios Quantitative Research, Bloomberg

Total returns as of the report date unless otherwise noted. Returns over 1 year are annualized. Indices are unmanaged and cannot be invested into directly. The returns do not reflect fees, sales charges, or expenses and don't reflect any particular investment. Past performance is not indicative of future results.

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## EQUITY SECTOR PERFORMANCE

Ranked S&P 500 Sector Total Returns

SECTOR	MTD
Energy	3.72%
Utilities	3.14%
Financials	1.22%
Consumer Discretionary	0.66%
Communication Services	-0.03%
Real Estate	-0.65%
Health Care	-0.73%
Consumer Staples	-0.84%
S&P 500	-1.20%
Materials	-1.43%
Industrials	-2.95%
Information Technology	-4.30%

Sector total returns are based on the S&P 500 GICS Level 1 indices.

## EQUITY STYLE & SIZE PERFORMANCE

Ranked Style, Size, and Geography Total Returns

ASSET CLASS	MTD
Emerging Markets	0.61%
Developed International	0.03%
Large Cap Value	-0.42%
Large Cap Blend	-1.20%
S&P 500	-1.20%
Mid Cap Value	-1.79%
Large Cap Growth	-1.89%
Mid Cap Blend	-1.96%
Small Cap Value	-2.09%
Mid Cap Growth	-2.37%
Small Cap Blend	-2.70%
Small Cap Growth	-3.34%

Asset class total returns are based on the Russell 1000, Russell 1000 Growth, Russell 1000 Value, Russell Midcap, Russell Midcap Growth, Russell Midcap Value, Russell 2000, Russell 2000 Growth, Russell 2000 Value, MSCI EAFE, and MSCI Emerging Markets indices.

## CREDIT SECTOR PERFORMANCE

Ranked Fixed Income Sectors Total Returns

SECTOR	MTD
US Corporate High Yield	-0.11%
US Aggregate 1-3 Year	-0.13%
Global High Yield	-0.26%
Municipal	-0.36%
US Agency	-0.37%
TIPS	-0.53%
EM Bonds (USD)	-0.68%
US Treasury	-1.09%
US Aggregate	-1.09%
US Corporate	-1.18%
Global Aggregate	-1.53%
US Aggregate 10+ Year	-2.36%

Sector total returns are based on the Bloomberg US Aggregate, US Treasury, US Treasury Inflation Notes, US Agency, Municipal, US Corporate, US Corporate High Yield, Global Aggregate, Global High Yield, and EM USD Aggregate indices.

Source: Helios Quantitative Research, Bloomberg

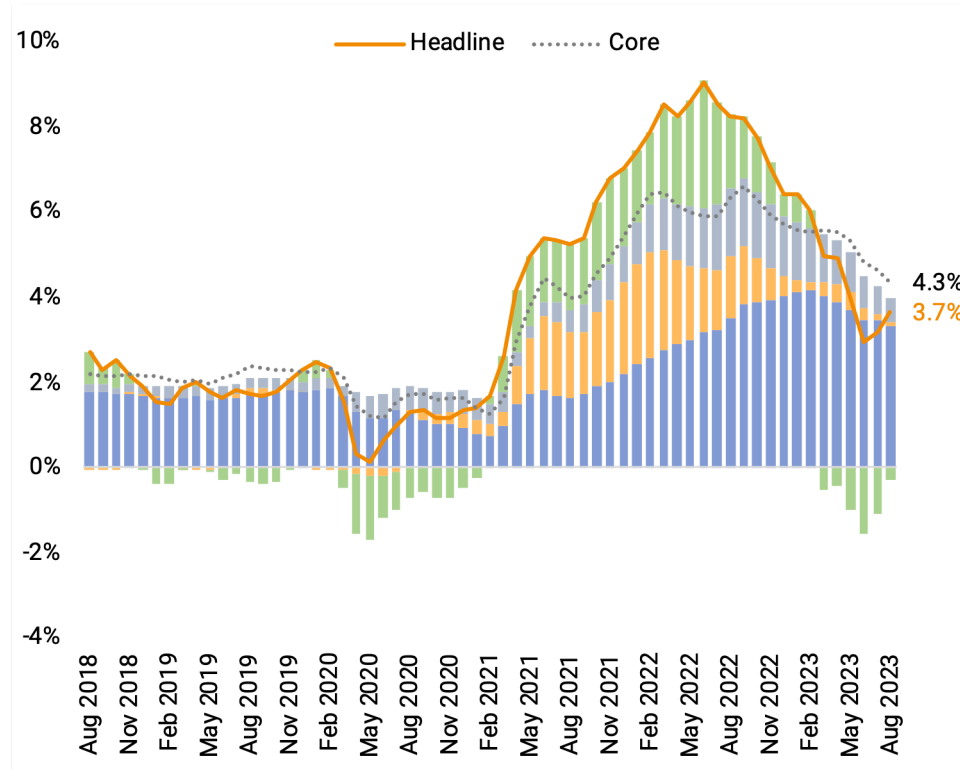
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# Inflation Breakdown

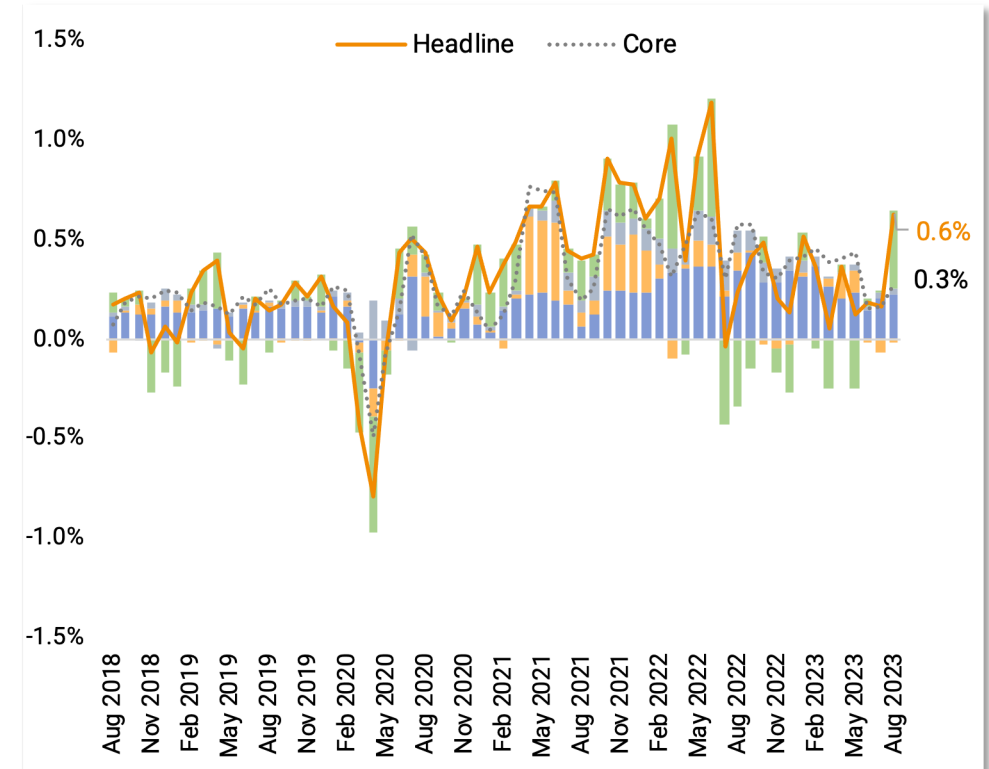
## CORE INFLATION CONTINUES TO IMPROVE

Major components of the Consumer Price Index, annual change



Energy Food

Major components of the Consumer Price Index, monthly change



Goods<sup>1</sup> Services<sup>1</sup>

1. Excludes food and energy

Source: Helios Quantitative Research, Bloomberg, Bureau of Labor Statistics

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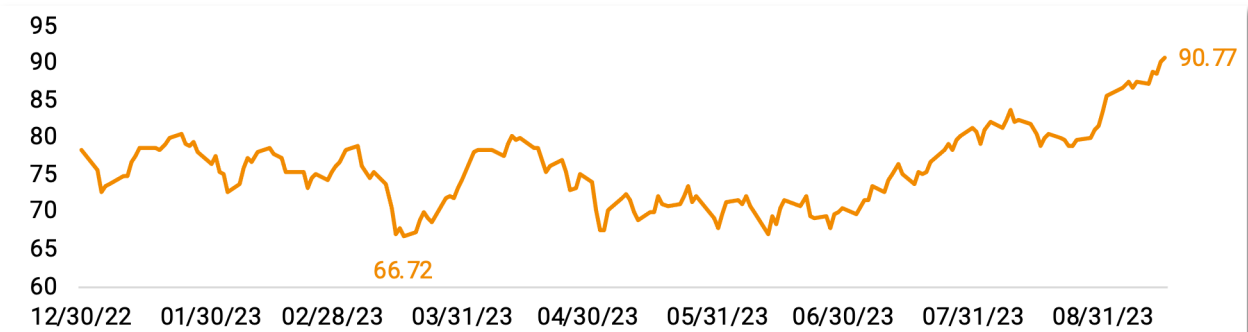
# Oil Surges Over the Last Two Months

## WHAT DOES IT MEAN?

- Energy prices surged since the end of June, most notably heading into the end of August, but continuing through the first half of September.
- In the latest Consumer Price Index report for August, energy inflation rose 0.4% on a monthly basis, being one of the more significant contributors to headline inflation.
- While energy inflation tends to be more volatile, making the Fed pay less attention to it, it can still have significant impacts on consumer balance sheets and impact consumer spending.

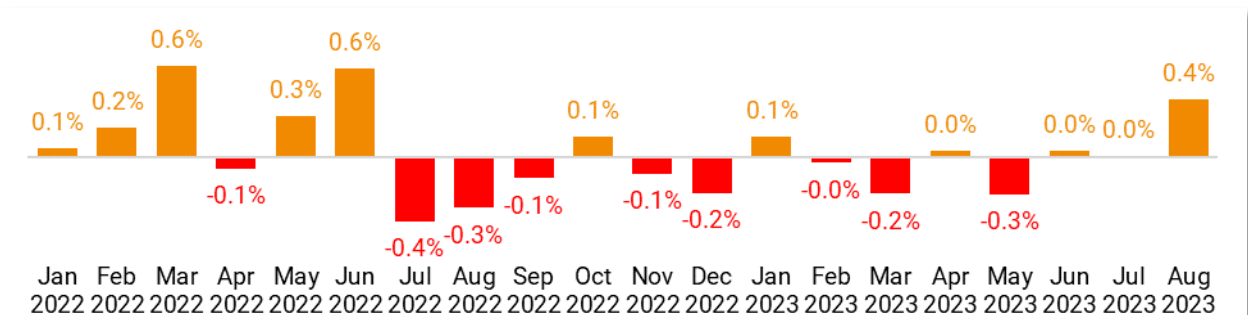
## CRUDE OIL RISES ABOVE \$90 PER BARREL

WTI Crude Oil, December 30, 2022 to September 15, 2023



## ENERGY INFLATION RISES IN AUGUST

Monthly price change in energy, CPI report, January 2022 to August 2023



Source: Helios Quantitative Research, Bloomberg

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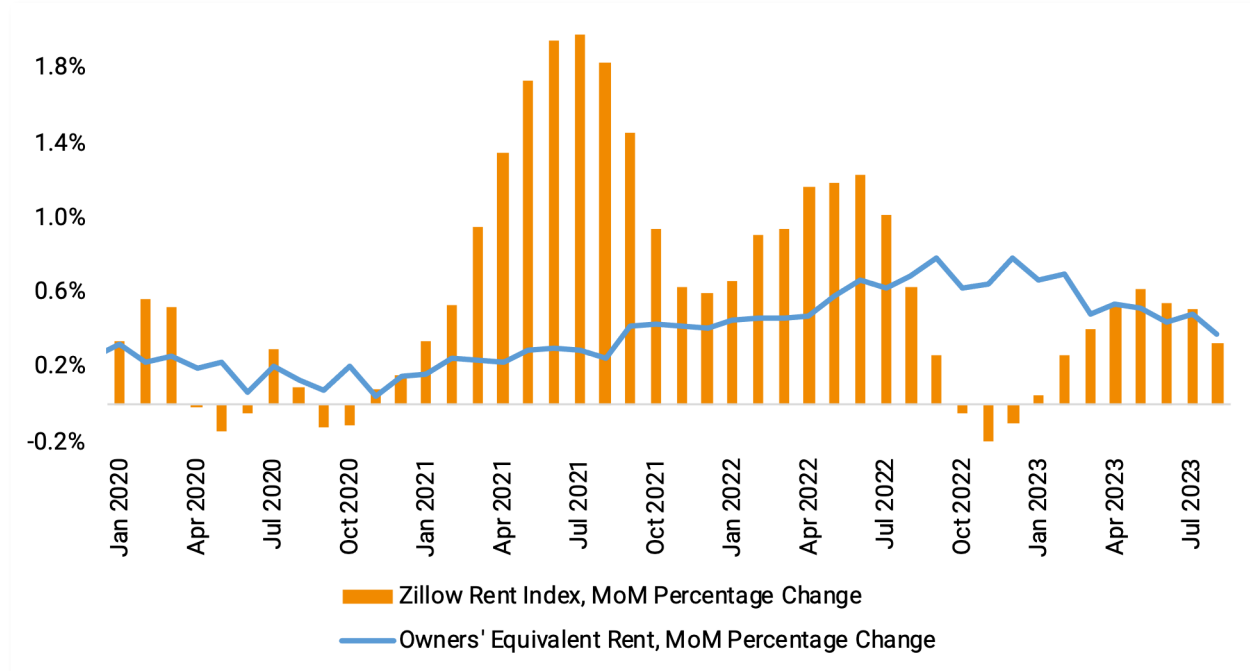
# Rental Market Cooling Due to New Supply

## WHAT DOES IT MEAN?

- Apartment rents are down across the US, thanks to increasing apartment supply. The one exception is New York City.
- Approximately 460,000 new apartments are expected to be built across the US this year, a 50-year high. Over 1.2M units have been built over the past three years.
- A combination of high home prices, high mortgage rates, and low supply have led many potential buyers to remain tenants.
- Rent is a significant contributor to inflation, with shelter making up the largest portion (34%) of the Consumer Price Index. Shelter was the second-largest contributor to inflation in August, second only to gasoline.

## ZILLOW RENT INDEX AND OWNERS' EQUIVALENT RENT

Month-Over-Month Percentage Change, January 2020 to August 2023



Source: Helios Quantitative Research, Bloomberg, Census Bureau, Zillow, RentCafe  
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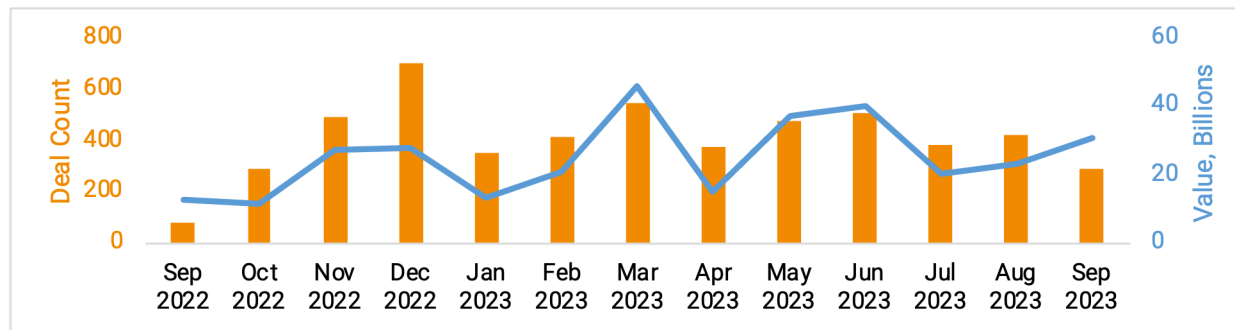
# Arm IPO Sparks Tech Market Hopes

## WHAT DOES IT MEAN?

- Arm's shares surged over 25% on their debut, and their successful IPO is expected to boost the tech IPO market.
- Arm designs the chips in 99% of smartphones and is considered an outlier in the IPO market due to its established reputation and potential in AI and machine learning.
- The return of IPOs is considered a positive sign, reflecting increased investor confidence in the market's prospects.
- Investors should carefully assess each prospectus, considering factors like growth, profitability, and risk when evaluating IPOs.

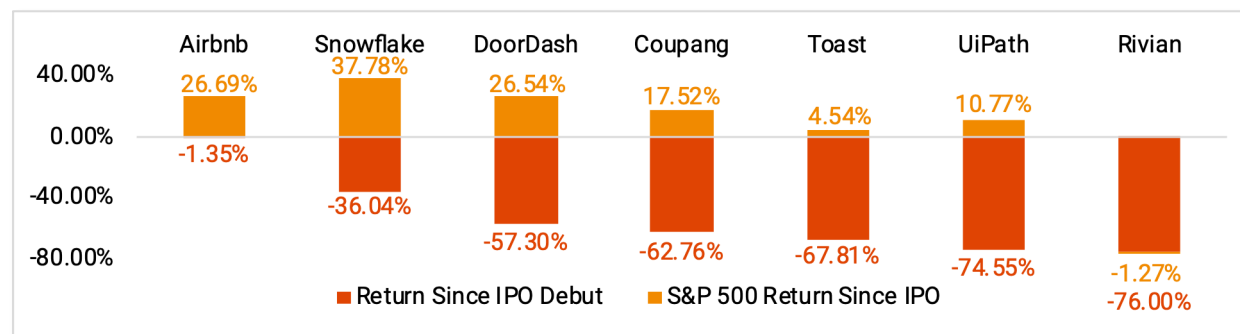
## IPO DEALS AND VALUATIONS

By Trading Date, September 1, 2022 to September 15, 2023



## IPOS TEND TO UNDERPERFORM S&P 500

Returns from Major IPOs vs S&P 500



Source: Helios Quantitative Research, Bloomberg  
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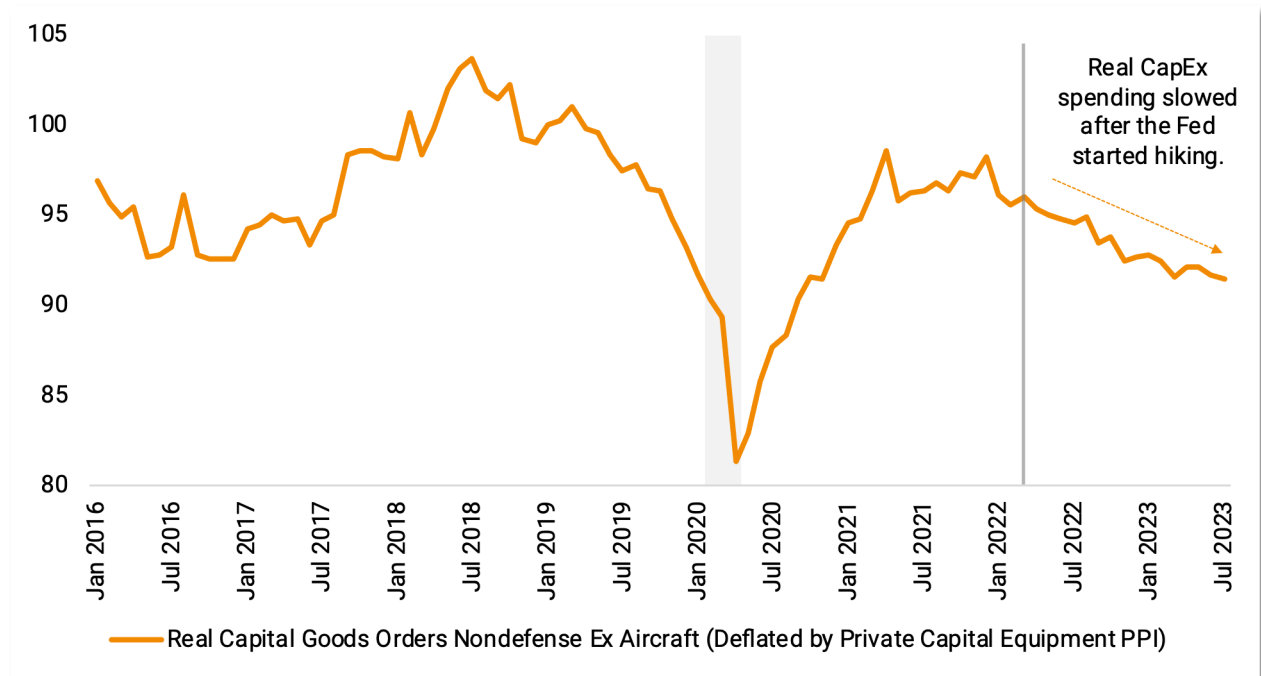
# Fed Hikes Have Reduced CapEx Spending

## WHAT DOES IT MEAN?

- Since the Fed began its hiking cycle, the level of inflation-adjusted business investment has steadily slowed.
- This dataset helps confirm other areas of the economy that have been steadily slowing, such as employment data.
- The steady nature of the decline is essentially what the Fed has been trying to engineer, a gradual cooling of the economy. However, if the Fed keeps rates sufficiently restrictive for too long, the declines in business investment can have further impacts across the economy.

## REAL CAPITAL GOODS ORDERS NONDEFENSE EX AIRCRAFT

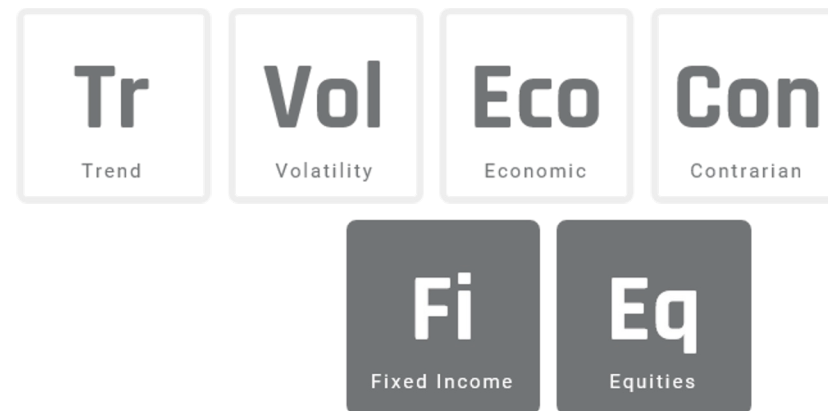
Deflated by Private Capital Equipment PPI, January 2016 to July 2023



Source: Helios Quantitative Research, Bloomberg

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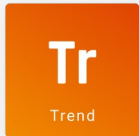
# Ecosystem



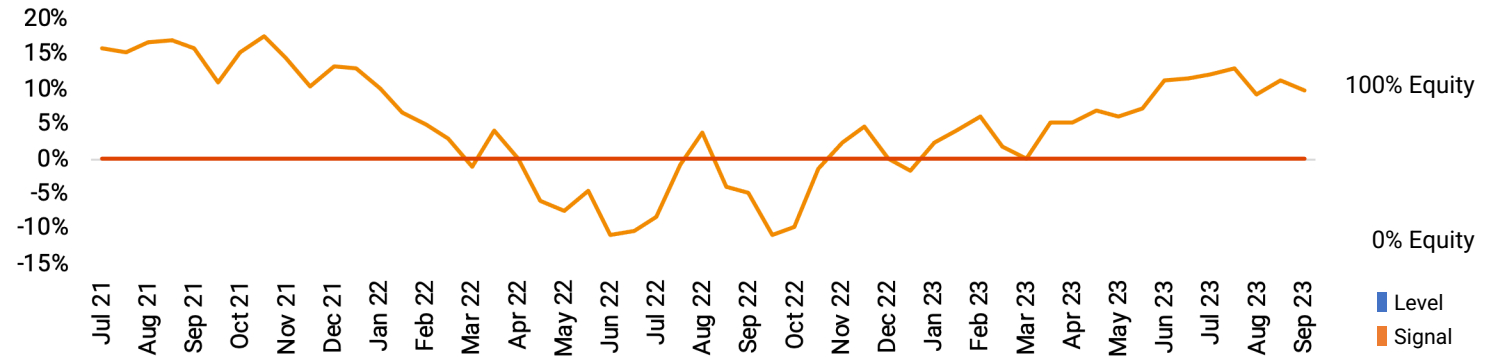
# Trend Level Element

## TRADE RATIONALE

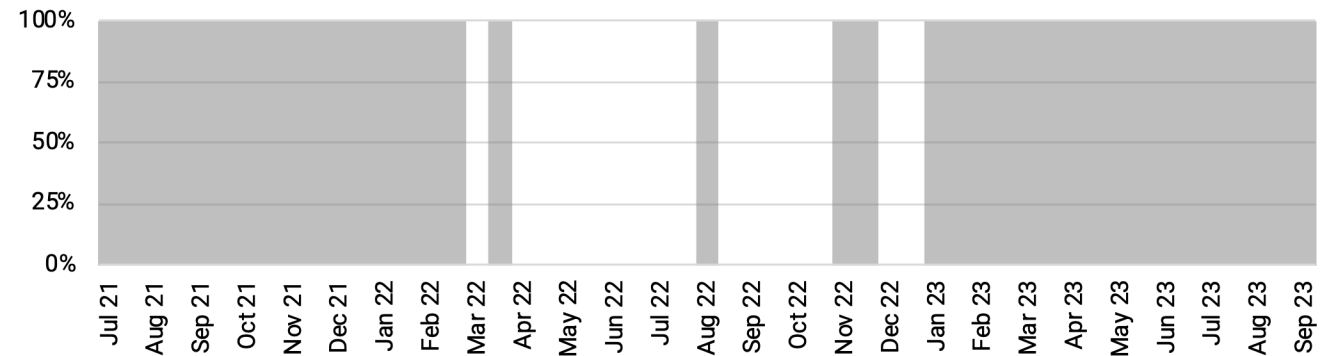
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## SIGNAL



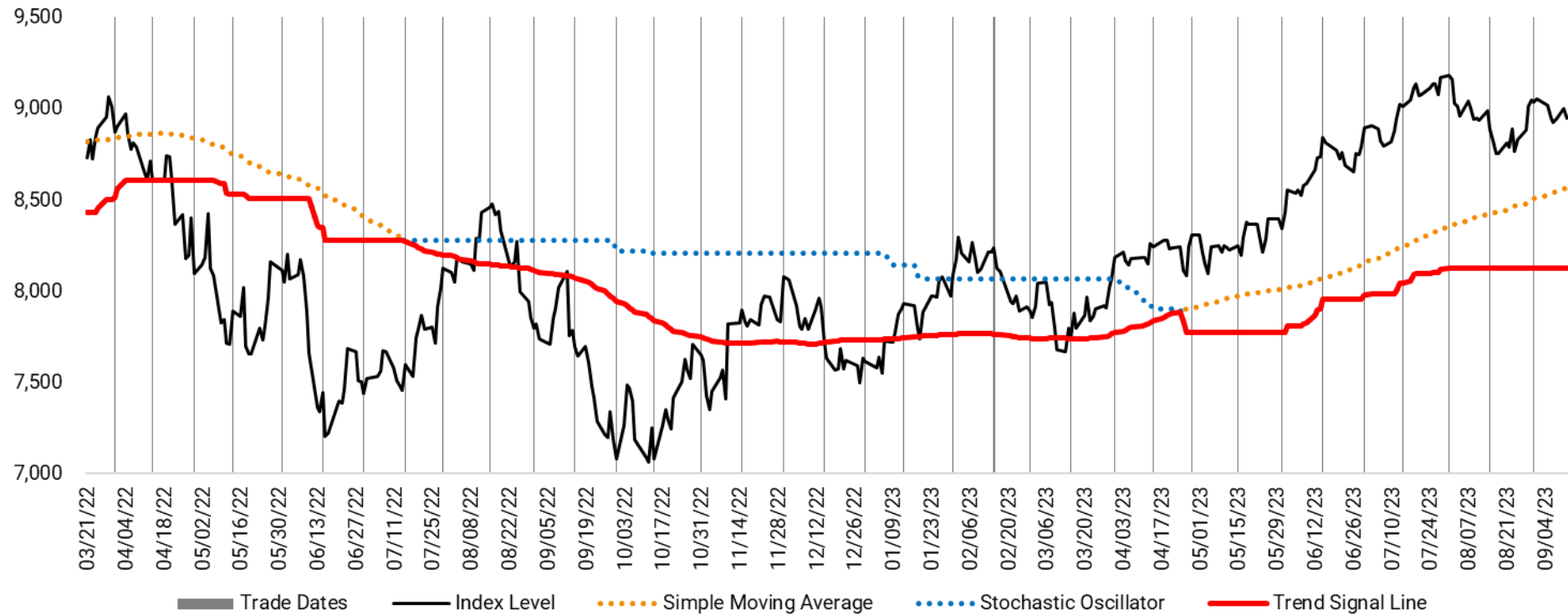
## HISTORICAL EXPOSURE



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# Trend Level Element

## Daily Element Data



Source: Helios Quantitative Research, Bloomberg

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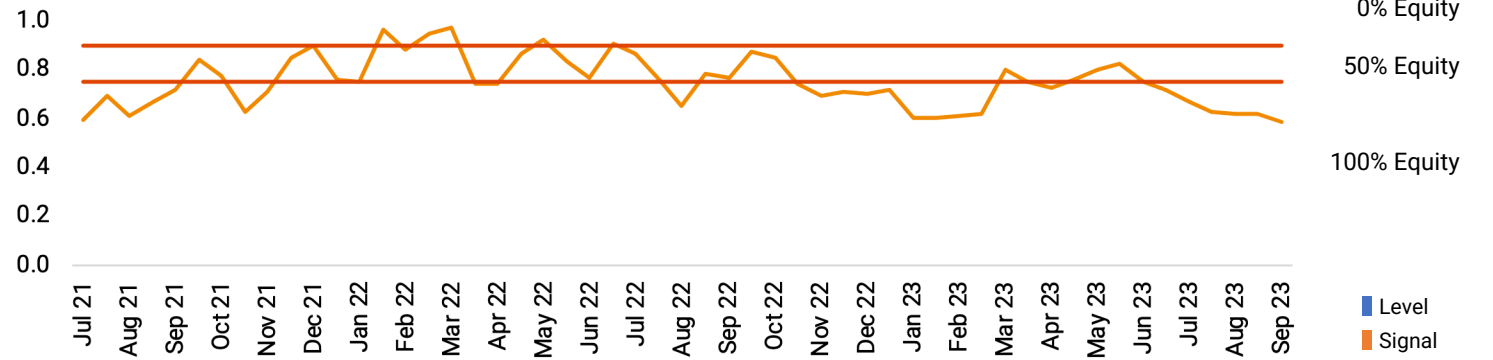
# Volatility Level Element

## TRADE RATIONALE

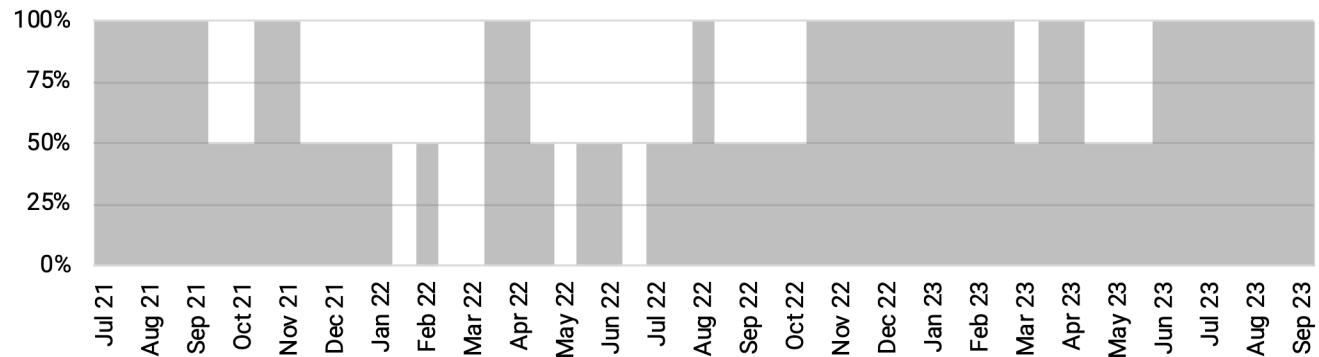
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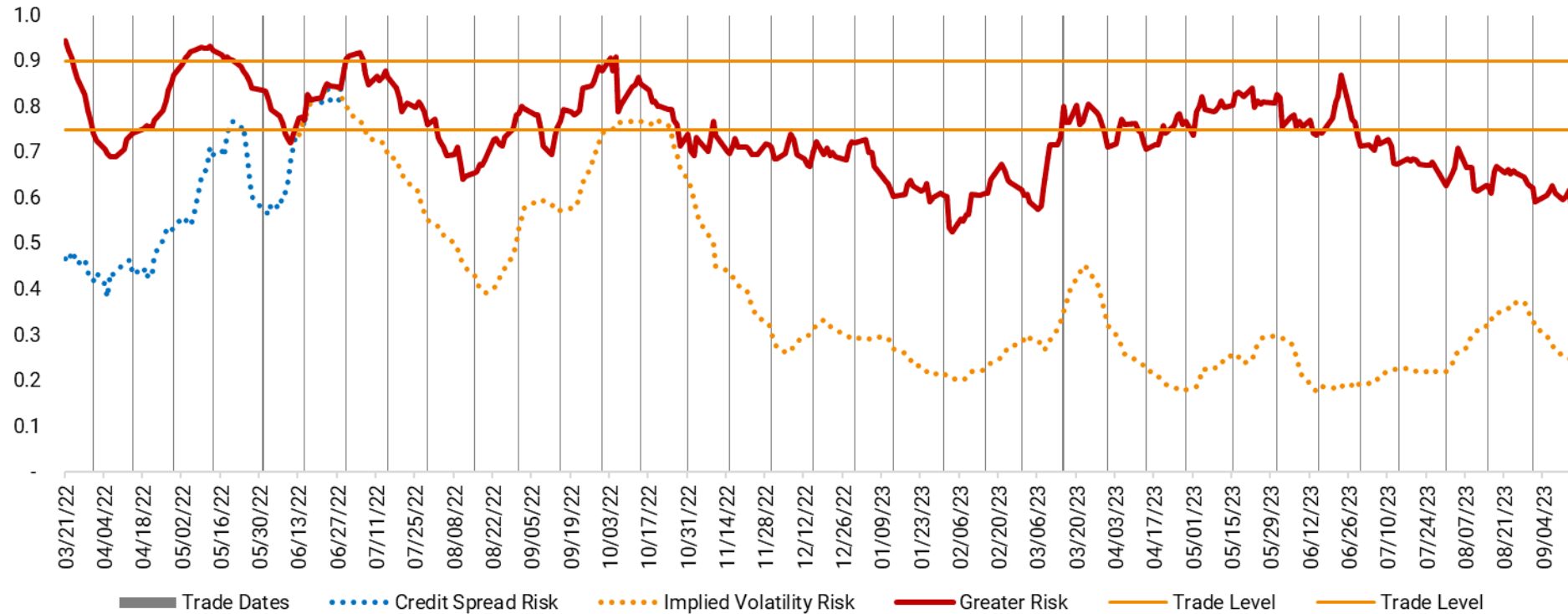
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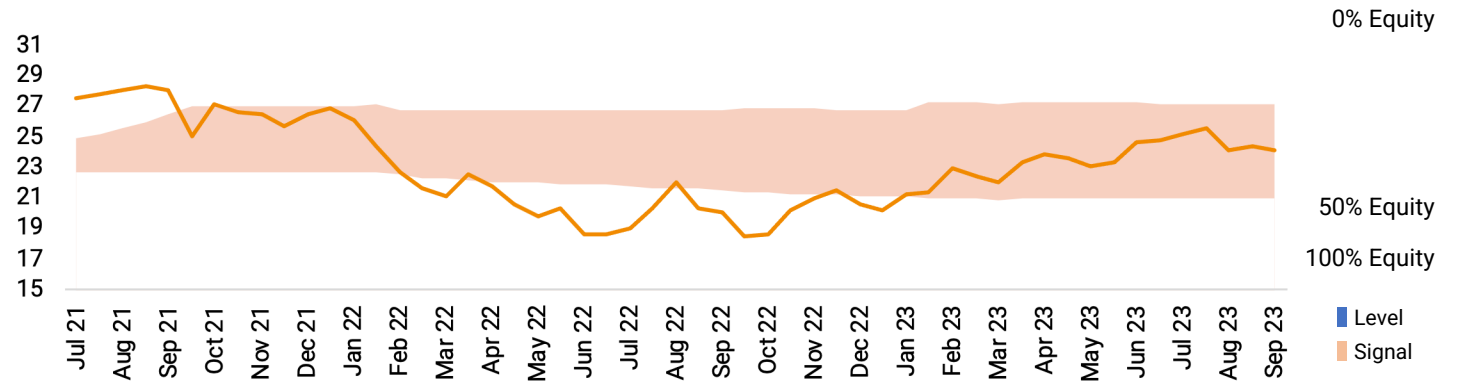
# Contrarian Level Element

## TRADE RATIONALE

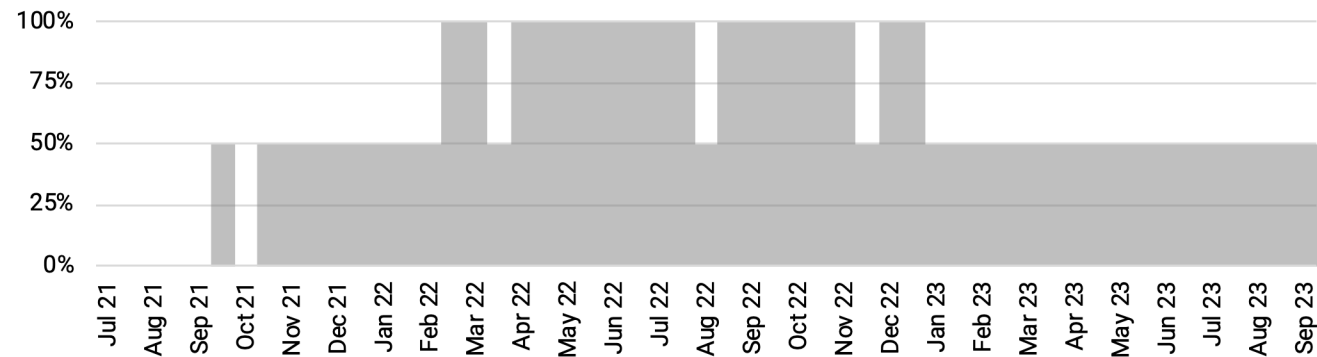
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## SIGNAL



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# Definitions & Disclosures

METHODS, DEFINITIONS, AND MORE



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