

## At-A-Glance

The S&P 500 finished October at its 59<sup>th</sup> record high of 2021, posting its best Jan-Oct performance (+24%) since 2013.

The Dow Industrials gained 5.93% last month, notching its 40<sup>th</sup> 2021 record high. The 30-stock index is up 18.77% so far this year.

The tech-heavy Nasdaq Composite performed best last month, up 7.29%. Nasdaq stocks are up 20.88% YTD.

In just over 19 months from the March 23, 2020 COVID-19 bear market low, U.S. stocks have more than doubled (S&P 500 +111%, Nasdaq Comp.+128%).

Staying invested has meant participation in the strongest and steepest bull market in modern history.

# MONTHLY RECAP

October 2021 Recap

Market Indices <sup>1</sup>	October	Year-to-Date
S&P 500	7.01%	24.04%
Russell 3000	6.76%	22.77%
Russell 2000	4.25%	17.19%
MSCI EAFE	2.46%	11.01%
MSCI Emerging Markets	0.99%	-0.27%
Barclays U.S. Aggregate Bond	-0.03%	-1.58%
Barclays U.S. Municipal Bond	-0.29%	0.50%
Barclays U.S. Corporate High Yield	-0.17%	4.36%

<sup>1</sup>Morningstar Direct (all equity performance is total return based, which include reinvested dividends)

Stocks finished October with another bullish milestone as all three major U.S. equity indices closed at respective new all-time highs. The S&P 500 and Nasdaq Composite clinched their best months since November 2020, up in excess of 7% each. The Dow Industrials also had a solid month, gaining nearly 6% for its strongest performance since March. The S&P 500 benchmark broadly avoided its historical curse last month, posting its best October performance in six years. Strong gains last month stand in stark contrast from September when stocks fell over 4% on worries ranging from inflation to contagion fears over China's property developer flare-up.

October equity valuations were lifted by an exceptionally strong start to the third quarter earnings season and optimism for a pair of upcoming congressional spending bills. Meanwhile Wall Street was beset by a series of fits and starts associated with inflationary pressures, impending Fed stimulus tapering, supply-chain constraints and COVID-19 related labor shortages.

With about half of S&P 500 companies reporting third quarter earnings reports so far, around 80% of S&P 500 companies have surpassed analysts' EPS expectations, which is the broadest pace of earnings beats in over two decades. Earnings surprises are led by Financials, beating forecasts by 19% while the rest of the market is beating by 8%.

Month end economic data showed that the Fed's preferred inflation measure, the personal consumption expenditures (PCE) price index rose 4.4% in September from a year ago, the fastest annual pace since 1991. The same report revealed consumer spending grew more slowly in September (+0.6% vs. 1% in August).

As shown in the style boxes below, Growth notably outperformed Value in October across all market caps, with their differentials intensifying most in large caps. In a continuation of YTD trends, Small and Mid cap Value and Core measures have outperformed their Growth counterparts, while in Large Caps, Growth continues to beat Value and Core measures. Small cap Value continues to take top honors this year, surging 27.6%.

	October			YTD		
	Value	Core	Growth	Value	Core	Growth
Large	5.08%	6.94%	8.66%	22.03%	23.18%	24.20%
Mid	5.32%	5.95%	7.01%	24.54%	22.02%	17.29%
Small	3.81%	4.25%	4.68%	27.60%	17.19%	7.64%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In sector performance shown below, all 11 major sector groups posted gains in October, led by Consumer Discretionary, up nearly 11%. In second place, Energy also rose double digits last month, courtesy of soaring oil and natural gas prices. Technology advanced into a third-place October showing to extend its year-to-date (YTD) gain to 24.7%. Energy, Financials and Real Estate are this year's top performers, while classic defensive sectors Utilities and Consumer Staples have risen the least YTD.

Top Performers – October	Top Performers – YTD <sup>1</sup>
Consumer Discretionary (+10.94%)	Energy (+58.07%)
Energy (+10.36%)	Financials (+38.56%)
Technology (+8.17%)	Real Estate (+33.77%)
Bottom Performers – October	Bottom Performers – YTD <sup>1</sup>
Utilities (+4.73%)	Materials (+18.91%)
Consumer Staples (+3.89%)	Utilities (+9.13%)
Communication Services (+2.83%)	Consumer Staples (+8.76%)

<sup>1</sup> Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity markets widely underperformed relative to domestic equities in October, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) climbing nearly 2.5% to again extend YTD gains to double digits after backpedaling in September. Europe's Stoxx 600 rebounded 4.7% last month after a 3.3% September loss. Emerging markets gained just 1% for the month, trimming its 2021 loss to around one-quarter of one percent. Brazilian markets fell sharply, down 9% last month (-19.7% YTD). Frontier emerging markets, however, painted an entirely different picture, up 5.2% in October and is up 7.7% YTD. Mainland China posted a moderate 3.2% October gain, trimming its YTD loss to 14%.

Turning to fixed income markets, U.S. Treasuries widened losses in October as global yield curves flattened, with the Bloomberg Barclays U.S. Government Bond Index falling fractionally (-0.08%). Treasuries outperformed, climbing 1.8% last month, trimming its YTD loss to 5.7%. On a broader basis, investment-grade bonds of all types were nearly unchanged (down 0.03%) in October, while higher-risk, non-investment grade high yield corporate bonds also declined fractionally (-0.17%). Municipal bonds of all types also printed fractionally negative last month.

The Bloomberg Barclays Commodity Index rose 2.6% in October, extending its YTD gain to 32.5%. The advance in commodities was led by an 11.4% surge in U.S. WTI crude oil futures, ending the month at \$83.57/barrel. Copper prices, which often serves as an economic bellwether, jumped nearly 7% in October,

whereas industrial (base) metals gained 4.9%. The U.S. Dollar index weakened just 0.11% last month after jumping 1.7% the month prior.

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This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](#) on Twitter.

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#### **Glossary**

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and

prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

**West Texas Intermediate (WTI)** is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.